



December 14, 2006

**VIA OVERNIGHT MAIL**

Diana Whitney  
Utah Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1210  
Salt Lake City, UT 84116

**RE: Applications for Permit to Drill  
Ouray Valley Federal 3-41, SWSW Section 3-T6S-R19E  
Ouray Valley Federal 12-42, Lot 9, Section 12-T6S-R19E  
Uintah County, UT**

Dear Diana:

Enclosed are our Applications for Permit to Drill for the subject well locations. Please keep these applications "**CONFIDENTIAL**". Included with the APD is the following supplemental information:

Survey plats, location map with access corridors, and layouts of the proposed well site;  
Form 5;  
Drilling Plan;  
Typical BOP and Choke Manifold diagrams;  
Surface Use Plan

Should you require any additional information, please contact me or Layle Robb at (303) 296-4505.

Sincerely,

Karin Kuhn  
Sr. Engineering Technician

Enclosures

RECEIVED

DEC 15 2006

DIV. OF OIL, GAS & MINING

**STATE OF UTAH**  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

FORM 3

AMENDED REPORT ☐  
(highlight changes)

<b>APPLICATION FOR PERMIT TO DRILL</b>				5. MINERAL LEASE NO: UTU-76261	6. SURFACE: Federal
1A. TYPE OF WORK:    DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/>				7. IF INDIAN, ALLOTTEE OR TRIBE NAME: NA	
B. TYPE OF WELL:    OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> OTHER _____    SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input checked="" type="checkbox"/>				8. UNIT or CA AGREEMENT NAME: NA	
2. NAME OF OPERATOR: Elk Resources, Inc.				9. WELL NAME and NUMBER: Ouray Valley Federal 12-42	
3. ADDRESS OF OPERATOR: 1401 17th St., Suite 700    CITY Denver    STATE CO    ZIP 80202			PHONE NUMBER: (303) 296-4505		
4. LOCATION OF WELL (FOOTAGES)  AT SURFACE: 859' FSL, 1847' FWL AT PROPOSED PRODUCING ZONE: 859' FSL, 1847' FWL				10. FIELD AND POOL, OR WILDCAT: <del>Wildcat</del> Underscored	
<div style="font-size: 2em; font-weight: bold; opacity: 0.5;">CONFIDENTIAL</div>				11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SWSW 12 6S 19E S	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: Approx. 17.3 miles southwest of Vernal, UT				12. COUNTY: Uintah	13. STATE: UTAH
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 859'		16. NUMBER OF ACRES IN LEASE: 1400.84		17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 40	
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) NA		19. PROPOSED DEPTH: 14,500		20. BOND DESCRIPTION: B000969	
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 5212' GR		22. APPROXIMATE DATE WORK WILL START: 3/1/2007		23. ESTIMATED DURATION: 60 Days + 30 Days Completion	

24. PROPOSED CASING AND CEMENTING PROGRAM				
SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT	SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT	
26	20"		See drlg plan	
12 1/4	9 5/8"    K-55    36#	2,500	See drlg plan	
8 3/4	7"    P-110    23-26#	9,500	See drlg plan	
6 1/8"	5"    P-110    18#	14,500	See drlg plan	

25. ATTACHMENTS

VERIFY THE FOLLOWING ARE ATTACHED IN ACCORDANCE WITH THE UTAH OIL AND GAS CONSERVATION GENERAL RULES:

<input checked="" type="checkbox"/> WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER <input type="checkbox"/> EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER	<input checked="" type="checkbox"/> COMPLETE DRILLING PLAN <input checked="" type="checkbox"/> FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER
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NAME (PLEASE PRINT) <u>Karin Kuhn</u>	TITLE <u>Sr. Engineering Technician</u>
SIGNATURE <u><i>Karin Kuhn</i></u>	DATE <u>12/5/2006</u>

(This space for State use only)

API NUMBER ASSIGNED: 43-047-38931

**Approved by the  
Utah Division of  
Oil, Gas and Mining**

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APPROVAL  
Date: 12-18-06  
By: *[Signature]*

T6S, R19E, S.L.B.&M.

ELK PRODUCTION, LLC

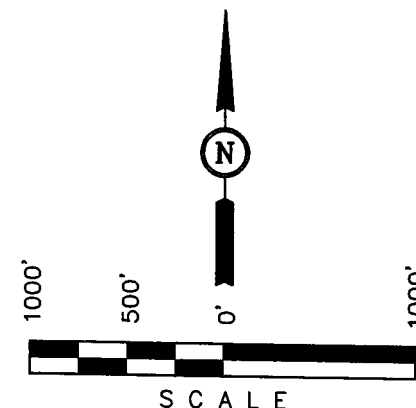
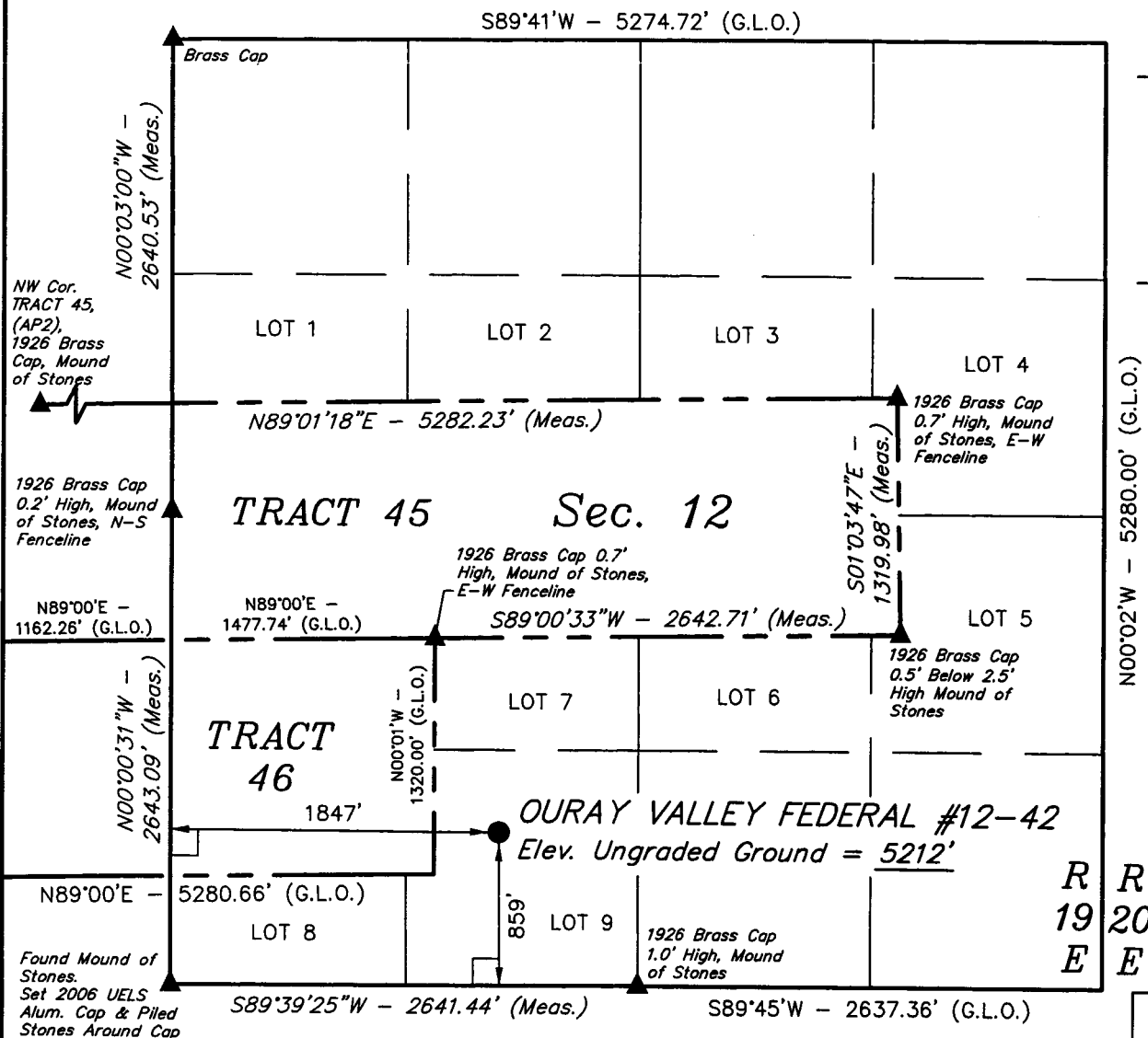
Well location, OURAY VALLEY FEDERAL #12-42, located as shown in LOT 9 of Section 12, T6S, R19E, S.L.B.&M., Uintah County, Utah.

### BASIS OF ELEVATION

SPOT ELEVATION AT THE SOUTHEAST CORNER OF SECTION 26, T5S, R19E, S.L.B.&M., TAKEN FROM THE VERNAL SW QUADRANGLE, UTAH, UTAH COUNTY, 7.5 MINUTE QUAD. (TOPOGRAPHIC MAP) PUBLISHED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY. SAID ELEVATION IS MARKED AS BEING 5268 FEET.

### BASIS OF BEARINGS

BASIS OF BEARINGS IS A G.P.S. OBSERVATION.



CERTIFICATE OF SURVEY  
 THIS IS TO CERTIFY THAT THE ABOVE PLAT WAS PREPARED FROM FIELD NOTES OF ACTUAL SURVEYING AND THAT THE SAME ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.  
 ROBERT L. JONES  
 REGISTERED LAND SURVEYOR  
 STATE OF UTAH

### LEGEND:

- └─┘ = 90° SYMBOL
- = PROPOSED WELL HEAD.
- ▲ = SECTION CORNERS LOCATED.

(AUTONOMOUS NAD 83)  
 LATITUDE = 40°18'27.84" (40.307733)  
 LONGITUDE = 109°44'03.44" (109.734289)  
 (AUTONOMOUS NAD 27)  
 LATITUDE = 40°18'27.98" (40.307772)  
 LONGITUDE = 109°44'00.93" (109.733592)

UINTAH ENGINEERING & LAND SURVEYING  
 85 SOUTH 200 EAST - VERNAL, UTAH 84078  
 (435) 789-1017

SCALE 1" = 1000'	DATE SURVEYED: 09-07-06	DATE DRAWN: 09-16-06
PARTY D.A. J.B. P.M.	REFERENCES G.L.O. PLAT	
WEATHER WARM	FILE ELK PRODUCTION, LLC	

## **DRILLING PLAN**

Elk Resources, Inc.  
Ouray Valley Federal 12-42  
Lot 9 of Section 12, T-6-S, R-19-E, SLB&M  
Uintah County, Utah

### 1,2,3 **Estimated Tops of Geological Markers and Formations Expected to Contain Water, Oil and Gas and Other Minerals**

<b><u>Formation</u></b>	<b><u>Depth</u></b>
Uinta (Possible pay intervals)	1190'*
Green River	5395'*
Wasatch	9065'*
Mesaverde	12140'*
Proposed TD	14500'

PROSPECTIVE PAY\* oil and gas

### 4 **Casing Program**

<b><u>HOLE</u></b>	<b><u>SETTING DEPTH</u></b>		<b><u>SIZE</u></b>	<b><u>WEIGHT</u></b>	<b><u>GRADE</u></b>	<b><u>THREAD</u></b>	<b><u>COND.</u></b>
<b><u>SIZE</u></b>	<b><u>from</u></b>	<b><u>to</u></b>					
26"	surface	50-75'	20"				
12 1/4"	surface	2,500'	9 5/8"	36#	K-55	ST&C	New
8 3/4"	surface	9,500'	7"	23-26#	P-110	LT&C	New
6 1/8"	9,200'	TD'	5"	18#	P-110	UFJ	New

In the event a liner seal mechanism is used, the seal will be tested by a fluid entry and pressure test to maximum pressure anticipated (80% of joint strength maximum).

As per 43 CFR 3160, Onshore Oil and Gas Order No. 2, Drilling Operations, Part B-1-b.

### 5 **Cementing Program** (Actual cement volumes will be calculated from caliper logs when possible)

20" Conductor	Ready mix
9 5/8"	Lead: 660 sx Prem HLC + 1/4 pps Flocele + 1% CaCl; 12.8 ppg, 1.8 cf/sk (100% excess) Tail: 165 sx Prem V + 1/4 pps Flocele + 2% CaCl; 15.8 ppg, 1.16 cf/sk
7"	Stage 1: 365 sx 50/50 Poz + 2% gel + 6% Halad-322 + 1 pps Granulite + 5% salt + 1/4 pps Flocele; 14.4 ppg, 1.41 cf/sk (no excess)

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DV TOOL                      Stage 2: Lead 150 sx HiFill + 16% gel + 0.75% Econolite + 7.5 ppg  
@ 5800'                      gilsonite + ¼ Flocele; 11.0 ppg, 3.81 cf/sx (100% excess).  
                                    Stage 2: Tail 275 sx 50/50 Poz + 2% gel + 6% Halad-322 + 1 pps  
                                    Granulate + 5% salt + ¼ pps Flocele; 14.4 ppg, 1.41 cf/sk.

5"                              312 sx 50/50 Poz 2% gel + 0.3% CFR-3 + 0.15% HR+12 + 20% SSA-1 +  
                                    0.4% Halad-344; 14.35 ppg, 1.41 cf/sk (35% excess)

## 6 Mud Program

Elk Production, LLC will record slow pump speed on daily drilling report after mudding up.

Elk shall use electronic/mechanical mud monitoring equipment, which shall include a pit volume totalizer (PVT); stroke counter; and flow sensor.

A mud test will be performed at least every 24 hours after mudding up to determine density, viscosity, gel strength, filtration, and pH.

Gas-detecting equipment will be installed and operated in the mud-return system.

A flare system will be used that gathers and burns all gas. The flare line(s) shall discharge at least 100 feet from the well head with straight lines and shall be positioned downwind of the prevailing wind direction and shall be anchored.

A mud-gas separator (gas buster) shall be used from surface casing to TD.

As per 43 CFR 3160, Onshore Oil and Gas Order No. 2, Drilling Operations, C. Mud Program Requirements.

<u>INTERVAL</u>	<u>WEIGHT</u>	<u>VISCOSITY</u>	<u>FLUID LOSS</u>	<u>REMARKS</u>
Surf. - 880'	N/A			Water
880 - 4500'	8.4 / 8.6 ppg	32	NC	Spud Mud
4500 - 9500'	8.4 / 9.0 ppg	28	NC	KCL Water/Gel
9500 - 14500'	9.0/12.0 ppg	34	10	KCL/Gel/Polymer

## 7 BOP and Pressure Containment Data

<u>Depth Intervals</u>	<u>BOP Equipment</u>
Surf. - 1000'	None
1000' - 10,000'	10,000# Ram type double BOP and annular
10,000' - 14,500'	10,000# Ram type double BOP and 10,000# annular

Estimated bottom hole pressure at TD will be 9050 psi. Drilling spool to accommodate choke and kill lines.

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ANCILLARY EQUIPMENT AND CHOKE MANIFOLD RATED AT 5,000# MINIMUM.  
ALL BOP AND BOPE TESTS WILL BE IN ACCORDANCE WITH THE REQUIREMENTS  
OF THE BUREAU OF LAND MANAGEMENT.

THE STATE OF UTAH, DIVISION OF OIL, GAS AND MINING WILL BE NOTIFIED 24  
HOURS IN ADVANCE OF ALL BOP PRESSURE TESTS. THE BUREAU OF LAND  
MANAGEMENT WILL BE NOTIFIED 24 HOURS IN ADVANCE OF ALL BOPE PRESSURE  
TESTS.

**8 Auxiliary equipment**

- a) Upper and Lower Kelly cock
- b) Floor stabbing valve 5000#
- c) Safety valve(s) and subs to fit all string connections in use

**9 Testing, Logging and Core Programs**

Cores	None anticipated
Testing	None anticipated
Sampling	10' samples; surface casing to TD.
Surveys	Run every 1000' and on trips
Logging	Resistivity, neutron density, and caliper from TD to surface casing. Gamma ray from TD to surface

**10 Anticipated Abnormal Pressures or Temperatures**

None anticipated.

**11 Drilling Schedule**

Spud	Approximately March 1, 2007
Duration	30 days drilling time 30 days completion time

**HAZARDOUS MATERIAL DECLARATION**

Ouray Valley Federal 12-42

Elk Resources, Inc. guarantees that during the drilling and completion of the above referenced well, we will not use, produce, or store, transport or dispose 10,000# annually of any of the hazardous chemicals contained in the Environmental Protection Agency's consolidated list of chemicals subject to reporting under Title III Super Amendments and Reauthorization Act (SARA) of 1986.

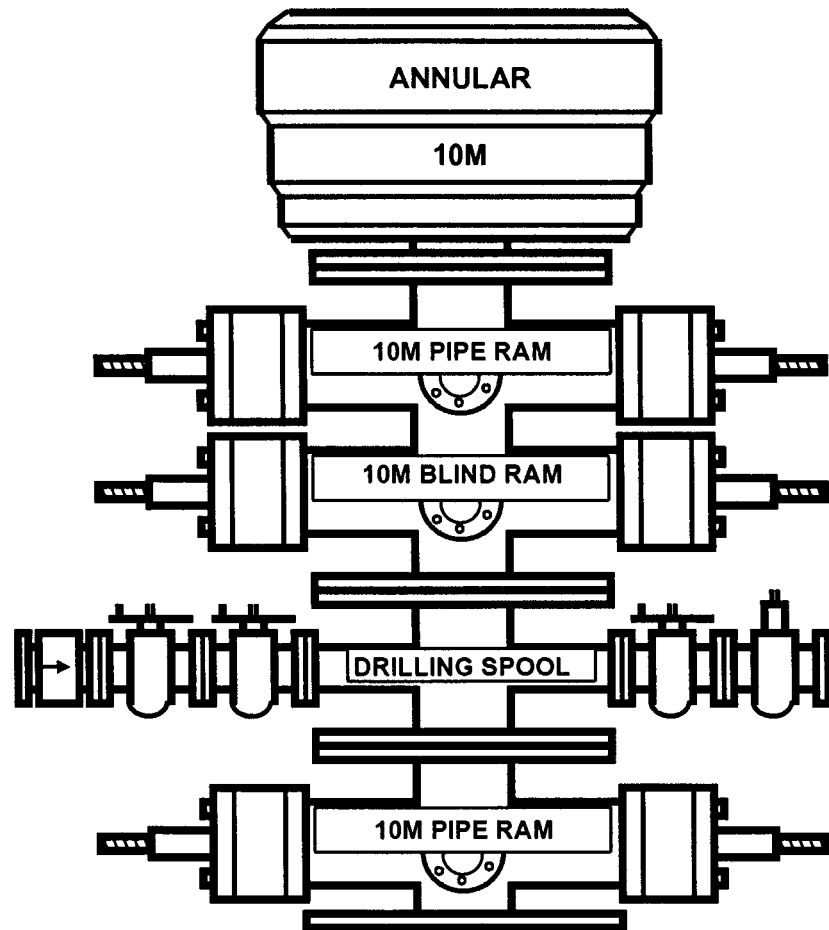
Elk Resources, Inc. guarantees that during the drilling and completion of the above referenced well, we will use, produce, store, transport, or dispose less than the threshold planning quantity (TPQ) of any extremely hazardous substances as defined in 40 CFR 355.

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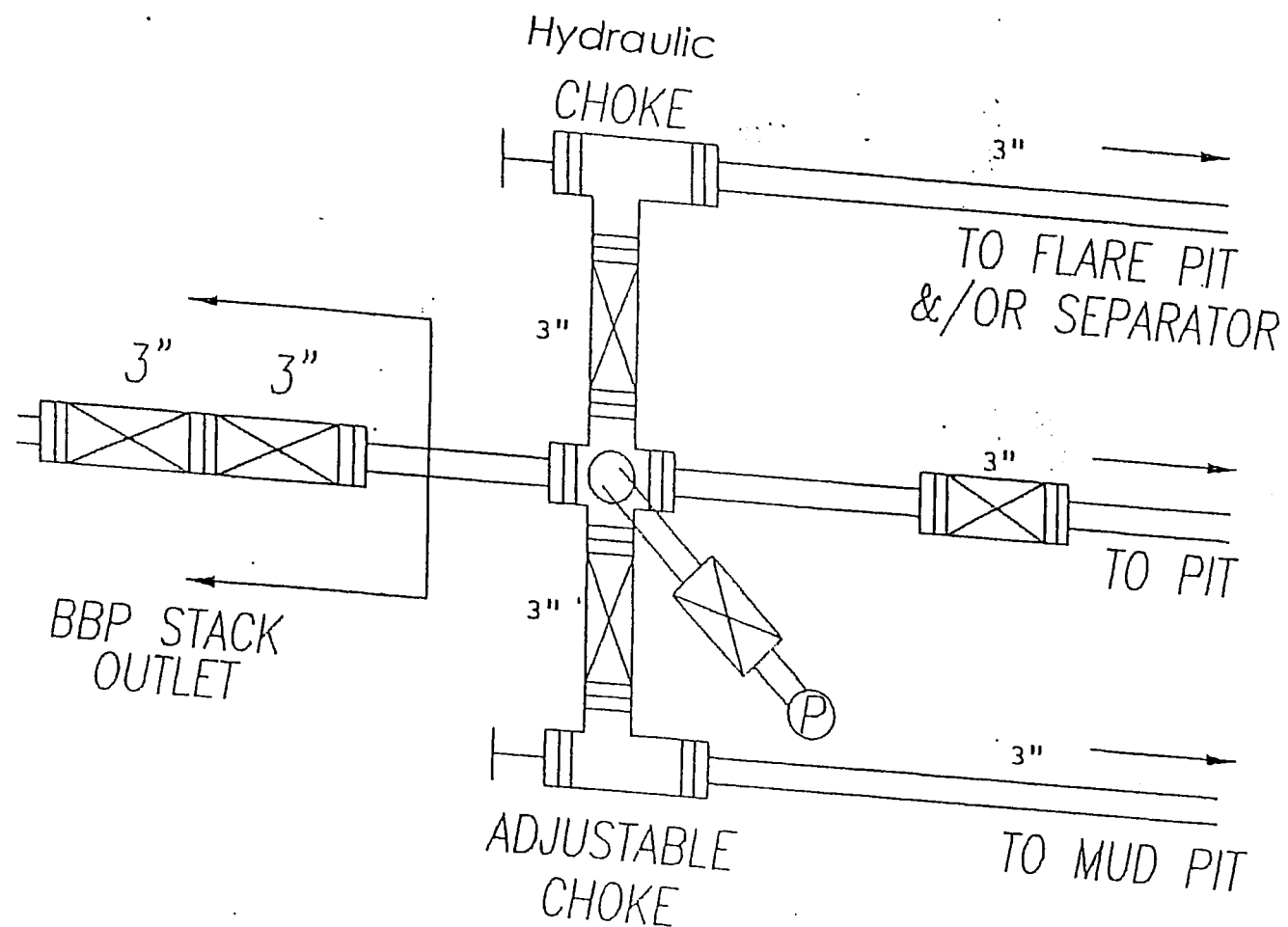
# TYPICAL BLOWOUT PREVENTER

## ROTARY

7 1/16" 10M BOP STACK



# CHOKE MANIFOLD





## **SURFACE USE PLAN**

### **Ouray Valley Federal 12-42**

#### **Attachment to Permit to Drill**

The dirt contractor will be provided with an approved copy of the surface use plan of operations before initiating construction.

The onsite inspection for the referenced well is pending with the Division of Oil, Gas and Mining and the landowner:

**1. Existing Roads:**

- a. The proposed well site is located approximately 17.3 miles Southwesterly of Vernal, Utah.
- b. The following are directions to the proposed well site:  
Proceed in a Southwesterly direction from Vernal, Utah along U.S. Highway 40 approximately 16.6 miles; make a left heading Southeasterly, then Northeasterly, then Southwesterly for 0.7 miles on the existing 2-track dirt road; then head slightly Southwesterly 70 feet to the location. See attached plat.
- c. The use of roads under Federal, State and County Road Department maintenance are necessary to access the Ouray Valley Federal 12-42 location. All existing roads will be maintained and kept in good repair during all phases of operation.
- d. Vehicle operators will obey posted speed restrictions and observe safe speeds commensurate with road and weather conditions.
- e. Since no improvements are anticipated to the State, County, or BLM access roads, no topsoil striping will occur.

**2. Planned Access Roads:**

- a. From the existing surface road, a new access is proposed trending southeasterly, then southerly and then southwesterly approximately 0.7 miles to the proposed well site. The access consists of entirely new disturbance across previously cultivated ground and crosses no significant drainages.
- b. The proposed access road crosses surface owned by the United States of America, c/o Bureau of Land Management.
- c. The proposed access road will consist of a 14' travel surface within a 30' disturbed area.

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- d. A maximum grade of 4% will be maintained throughout the project with no cuts and fills required to access the well.
- e. No turnouts are proposed; adequate site distance exists in all directions.
- f. No low water crossings are anticipated. Adequate drainage structures will be incorporated into the road.
- g. No surfacing material will come from Federal or SITLA lands.
- h. Surface disturbance and vehicular travel will be limited to the approved location access road.
- i. All access roads and surface disturbing activities will conform to the standards outlined in the pending fee surface use agreement.
- j. The operator will be responsible for all maintenance of the access road including drainage structures.

**3. Location of Existing Wells:**

- a. Attached is a map reflecting a one-mile radius of the proposed well. There is one plugged and abandoned well and no producing wells within this radius.

**4. Location of Production Facilities:**

- a. All permanent structures will be painted a flat, non-reflective Desert Brown to match the standard environmental colors. All facilities will be painted within six month of installation. Facilities are required to comply with the Occupational Safety and Health Act (OSHA) may be excluded.
- b. If productive, a gas meter run will be constructed and located on lease within 500 feet of the wellhead. Meter runs will be housed and/or fenced. All gas production and measurement shall comply with the provisions of 43 CFR 3162.7-3, Onshore Oil and Gas Order No. 5, and American Gas Association (AGA) Report No. 3.
- c. If productive, a tank battery will be constructed on this lease, it will be surrounded by a dike of sufficient capacity to contain the storage capacity of the largest tank. All loading lines and valves will be placed inside the berm surrounding the tank battery. All liquid hydrocarbons production and measurement shall conform to the provisions of 43 CFR 3162.7-3 and Onshore Oil and Gas Order No. 4 and Onshore Oil and Gas Order No. 5 for oil and natural gas production and measurement.
- d. Any necessary pits will be properly fenced to prevent any wildlife and livestock entry.
- e. All access roads will be maintained as necessary to prevent erosion and accommodate year-round traffic. The road will be maintained in a safe useable condition.
- f. The site will require periodic maintenance to ensure that drainages are kept open and free of debris, ice, and snow, and that surfaces are properly treated to reduce erosion, fugitive dust, and impacts to adjacent areas.

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**5. Location and Type of Water:**

- a. Water for construction and drilling has been obtained through a direct purchase agreement with a municipality.

**6. Source of Construction Material:**

- a. No construction materials will be removed from Ute Tribal, SITLA or BLM lands.
- b. If any gravel is used, it will be obtained from a State-approved gravel pit.

**7. Methods of Handling Waste Disposal:**

- a. All wastes associated with this application will be contained and disposed of utilizing approved facilities.
- b. Drill cuttings will be contained and buried onsite.
- c. The reserve pit will be located outboard of the location and along the northwest side of the pad.
- d. The reserve pit will be constructed so as not to leak, break, or allow any discharge.
- e. The reserve pit will be lined with 12-mil minimum thickness plastic nylon-reinforced liner material. The liner will overlay a felt pad only if rock is encountered during excavation. The pit liner will overlap the pit walls and be covered with dirt and/or rocks to hold it in place. No trash, scrap pipe, etc., that could puncture the liner will be disposed of in the pit. Pit walls will be sloped no greater than 2:1. A minimum 2-foot freeboard will be maintained in the pit at all times during the drilling and completion operation.
- f. The reserve pit has been located in cut material. Three sides of the reserve pit will be fenced before drilling starts. The fourth side will be fenced as soon as drilling is completed, and shall remain until the pit is dry. After the reserve pit has dried, all areas not needed for production will be rehabilitated.
- g. Trash will be contained in a trash cage and hauled away to an approved disposal site as necessary but no later than at the completion of drilling operations. The contents of the trash container will be hauled off periodically to the approved Uintah County Landfill near Vernal, Utah.
- h. Produced fluids from the well other than water will be produced into a test tank until such time as construction of production facilities is completed. Any spills of oil, gas, saltwater or other produced fluids will be cleaned up and removed.
- i. Any salts and/or chemicals, which are an integral part of the drilling system, will be disposed of in the same manner as the drilling fluid.
- j. Sanitary facilities will be onsite at all times during operations. Sewage will be placed in a portable chemical toilet and the toilet replaced periodically utilizing a licensed contractor to transport by truck the portable chemical toilet so that its contents can be delivered to the Vernal Wastewater Treatment Facility in accordance with State and County regulations.

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**8. Ancillary Facilities:**

- a. Garbage containers and portable toilets are the only ancillary facilities proposed in this application.

**9. Well Site Layout:**

- a. The well will be properly identified in accordance with State regulations.
- b. Access to the well pad will be from the south and west.
- c. The pad and road designs are consistent with State and Federal specifications.
- d. A pre-construction meeting with responsible company representative, contractors, landowner representatives and the Utah Division of Oil, Gas and Mining will be conducted at the project site prior to commencement of surface-disturbing activities. The pad and road will be construction-staked prior to this meeting.
- e. The pad has been staked at its maximum size; however, it will be constructed smaller if possible, depending upon rig availability. Should the layout change, this application will be amended and approved utilizing a sundry notice.
- f. All surface disturbing activities will be supervised by a qualified, responsible company representative who is aware of the terms and conditions of the APD and specification in the approved plans.
- g. All cut and fill slopes will be such that stability can be maintained for the life of the activity.
- h. The site surface will be graded to drain away from the pit to avoid pit spillage during large storm events.
- i. The stockpiled topsoil (first 6 inches or maximum available) will be stored in a window on the uphill side of the location to prevent any possible contamination. All topsoil will be stockpiled for reclamation in such a way as to prevent soil loss and contamination.
- j. Pits will remain fenced until site cleanup.
- k. The blooie line will be located at least 100 feet from the well head.
- l. Water injection may be implemented if necessary to minimize the amount of fugitive dust.

**10. Plans for Restoration of the Surface:**

- a. Site reclamation for a producing well will be accomplished for portions of the site not required for the continued operation of the well.
- b. The Operator will control noxious weeds along access road use authorizations, well sites, or other applicable facilities by spraying or mechanical removal. A list of noxious weeds may be obtained from the Utah Division of Oil, Gas and Mining or the appropriate County Extension Office.
- c. Upon well completion, any hydrocarbons in the pit shall be removed. Once the reserve pit is dry, the plastic nylon-reinforced liner shall be torn and perforated before backfilling of the reserve pit. The reserve pit and

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that portion of the location not needed for production facilities/operations will be recontoured to the approximate natural contours.

- d. The cut and fill slopes and all other disturbed areas not needed for the production operation will be top soiled and re-vegetated. The stockpiled topsoil will be evenly distributed over the disturbed area.
- e. Prior to reseeding the site, all disturbed areas, including the access road, will be scarified and left with a rough surface. The site will then be seeded and/or planted as prescribed by the landowner. The landowner recommended seed mix will be detailed within their surface-use documents.

**11. Surface and Mineral Ownership:**

- a. Surface Ownership: Bureau of Land Management
- b. Mineral Ownership: Bureau of Land Management

**12. Other Information:**

- a. None.

**Self-Certification Statement**

Please be advised that Elk Resources, Inc. is considered to be the operator of Ouray Valley Federal 12-42; Lot 9, (SESW) Section 12, Township 6 South, Range 19 East; Lease UTU-76261; Uintah County, Utah; and is responsible under the terms and conditions of the lease for the operations conducted upon the leased lands. Bond coverage is provided by BLM Bond #UTB000135."



Karin Kuhn, Sr. Engineering Technician

12/05/2006

Date

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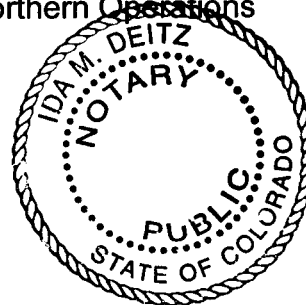
**13. Operator's Representative and Certification:**

I hereby certify that I, or person under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in the plan are, to the best of my knowledge, true and correct; and that the work associated with operations herein will be performed by \_\_\_\_\_, (construction contractor has not been determined) and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Name and Title

Laurel L. Robb  
Laurel L. Robb, Vice President of Northern Operations

STATE OF COLORADO  
COUNTY OF DENVER



Subscribed and sworn to before me this 5th day of December, 2006.

My commission Expires:

9/25/2007

Ida M. Deitz  
Notary Public

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DESIGNATION OF AGENT OR OPERATOR

The undersigned is, on record, the holder of oil and gas lease

LEASE NAME: Ouray Valley Federal 12-42

LEASE NUMBER: UTU-76261

and hereby designates

NAME: Elk Resources, Inc.

ADDRESS: 1401 17th St., Suite 700

city Denver state CO zip 80202

as his (check one) agent ☐ / operator ☒, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the Division Director or Authorized Agent may serve written or oral instructions in securing compliance with the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah with respect to:

(Describe acreage to which this designation is applicable. Identify each oil and gas well by API number and name. Attach additional pages as needed.)

T6S - R19E SLB&M, Lots 1-9 of Section 12  
Uintah County, Utah

It is understood that this designation of agent/operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah. It is also understood that this designation of agent or operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated agent/operator, the lessee will make full and prompt compliance with all rules, lease terms or orders of the Board of Oil, Gas and Mining of the State of Utah or its authorized representative.

The lessee agrees to promptly notify the Division Director or Authorized Agent of any change in this designation.

Effective Date of Designation: 07/01/2006

BY: (Name) Carl Lakey

(Signature)  12/12/06

(Title) Operations & Engineering Manager

(Phone) (303) 293-9999

OF: (Company) El Paso Production Company

(Address) 1225 17th Street, Suite 1900

city Denver

state CO zip 80202



**ELK PRODUCTION, LLC**  
**OURAY VALLEY FEDERAL #12-42**  
LOCATED IN UINTAH COUNTY, UTAH  
SECTION 12, T6S, R19E, S.L.B.&M.

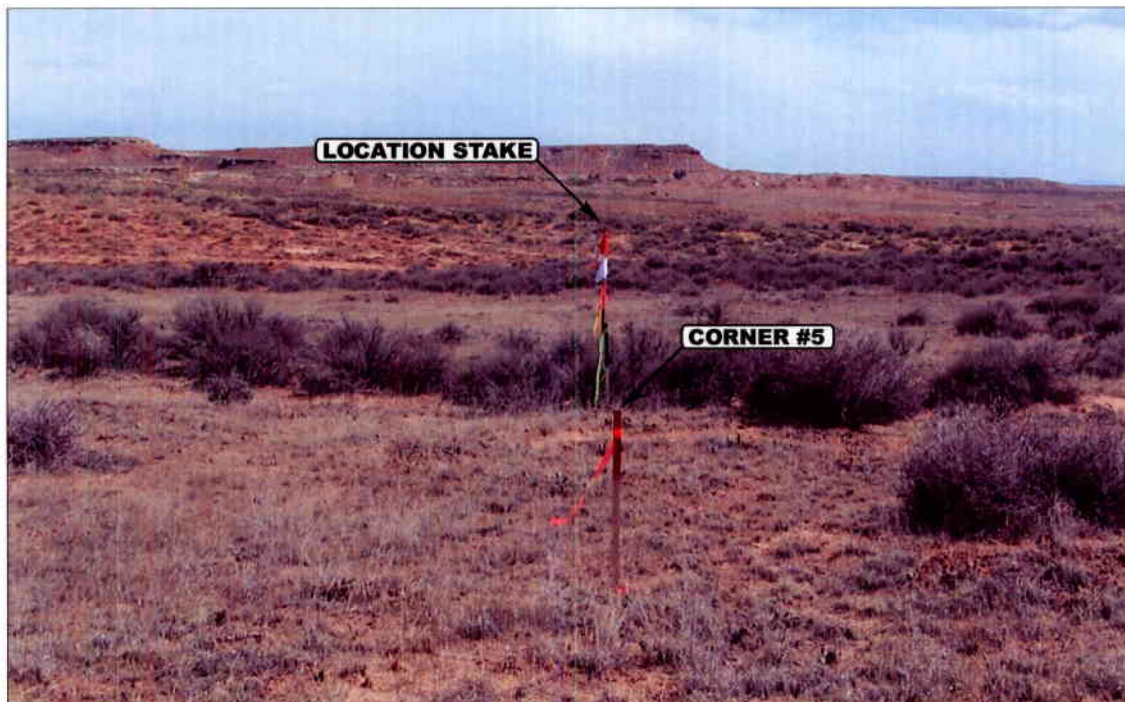


PHOTO: VIEW FROM CORNER #5 TO LOCATION STAKE

CAMERA ANGLE: SOUTHEASTERLY



PHOTO: VIEW FROM BEGINNING OF PROPOSED ACCESS

CAMERA ANGLE: SOUTHWESTERLY



**UELS** Uintah Engineering & Land Surveying  
85 South 200 East Vernal, Utah 84078  
435-789-1017 uels@uelsinc.com

**LOCATION PHOTOS**

**09 27 06**  
MONTH DAY YEAR

**PHOTO**

TAKEN BY: D.A.

DRAWN BY: L.K.

REVISED: 00-00-00

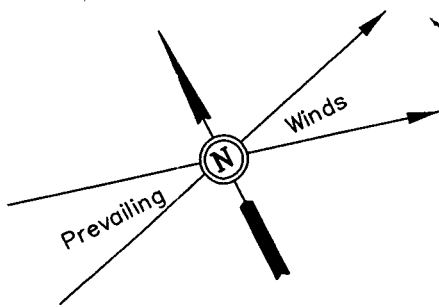


# ELK PRODUCTION, LLC

## LOCATION LAYOUT FOR

OURAY VALLEY FEDERAL #12-42  
SECTION 12, T6S, R19E, S.L.B.&M.  
859' FSL 1847' FWL

FIGURE #1



SCALE: 1" = 50'  
DATE: 09-17-06  
Drawn By: P.M.

C-4.7'  
El. 215.8'

Proposed Access Road

Existing 2-Track

F-1.0'  
El. 210.1'

Topsoil Stockpile

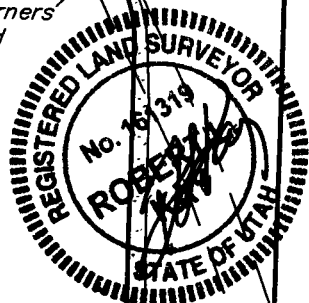
Sta. 3+30

C-0.9'  
El. 212.0'

Round Corners as Needed

NOTE:  
Flare Pit is to be located a min. of 100' from the Well Head.

Approx. Top of Cut Slope



Pit Topsoil

FLARE PIT C-2.8'  
El. 213.9'

El. 216.4'  
C-15.3'  
(btm. pit)

Bloote Line

CATWALK  
PIPE RACKS

C-0.4'  
El. 211.5'

DOG HOUSE

Sta. 1+50

F-3.7'  
El. 207.4'

Reserve Pit Backfill & Spoils Stockpile

10' WIDE BENCH

RESERVE PITS  
(10' Deep)

Total Pit Capacity  
W/2' of Freeboard  
= 15,490 Bbls. ±  
Total Pit Volume  
= 4,280 Cu. Yds.

1 1/2:1 Slope

RIG  
WATER  
PUMP  
MUD SHED  
HOPPER  
POWER  
TOOLS  
FUEL

TRAILER  
TOILET  
FUEL

Sta. 0+50

STORAGE TANK

El. 218.4'  
C-17.3'  
(btm. pit)

10' WIDE BENCH/DIKE

F-1.9'  
El. 209.2'

Approx. Toe of Fill Slope

C-2.1'  
El. 213.2'

### NOTES:

Elev. Ungraded Ground At Loc. Stake = 5211.5'  
FINISHED GRADE ELEV. AT LOC. STAKE = 5211.1'

UINTAH ENGINEERING & LAND SURVEYING  
85 So. 200 East \* Vernal, Utah 84078 \* (435) 789-1017

# ELK PRODUCTION, LLC

## TYPICAL CROSS SECTIONS FOR

OURAY VALLEY FEDERAL #12-42

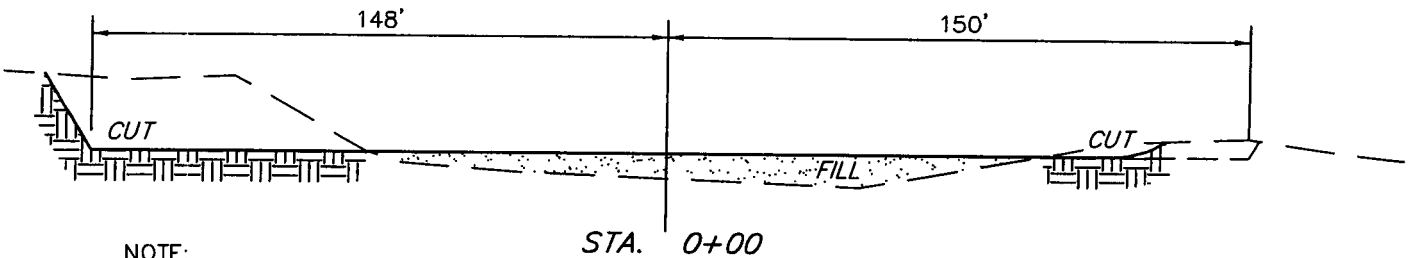
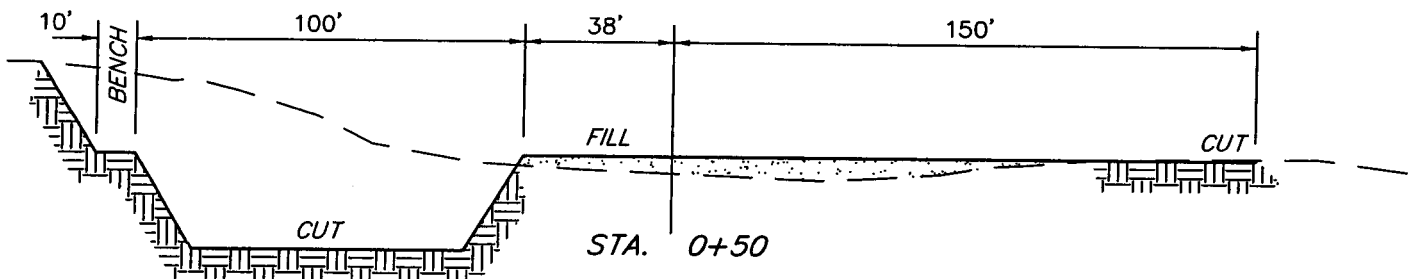
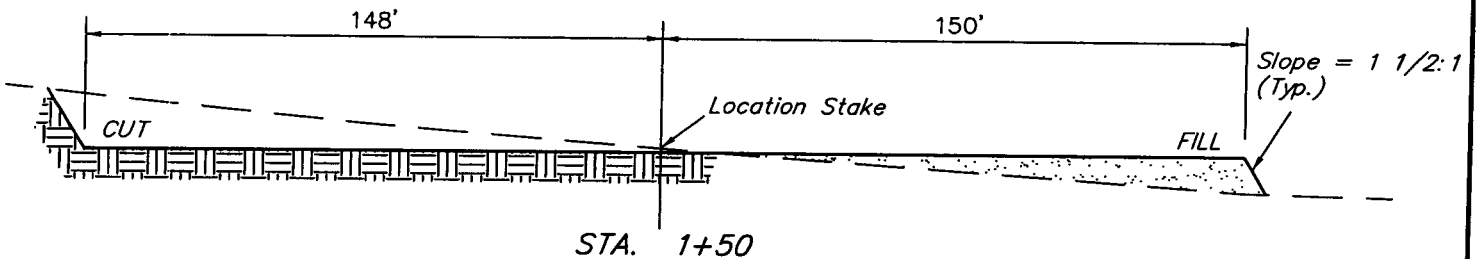
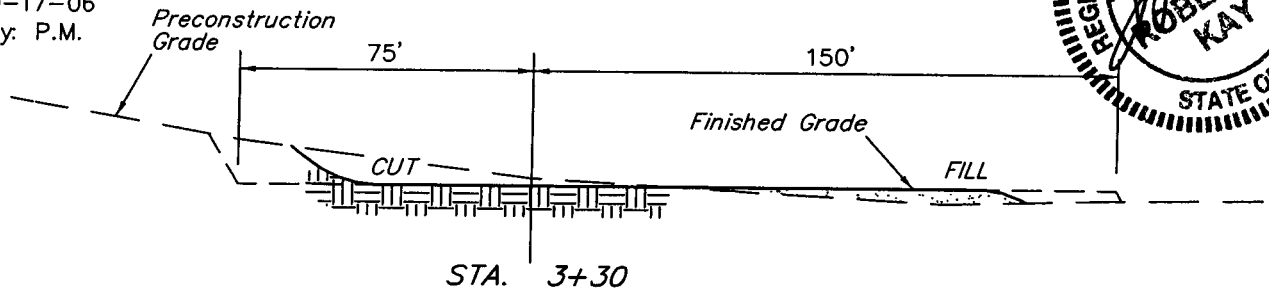
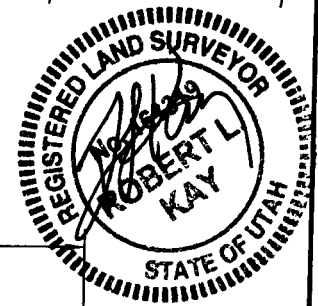
SECTION 12, T6S, R19E, S.L.B.&M.

859' FSL 1847' FWL

FIGURE #2

1" = 20'  
X-Section  
Scale  
1" = 50'

DATE: 09-17-06  
Drawn By: P.M.



### NOTE:

Topsoil should not be Stripped Below Finished Grade on Substructure Area.

### \* NOTE:

FILL QUANTITY INCLUDES 5% FOR COMPACTION

### APPROXIMATE YARDAGES

#### CUT

(6") Topsoil Stripping = 1,760 Cu. Yds.

Remaining Location = 7,370 Cu. Yds.

TOTAL CUT = 9,130 CU.YDS.

FILL = 3,830 CU.YDS.

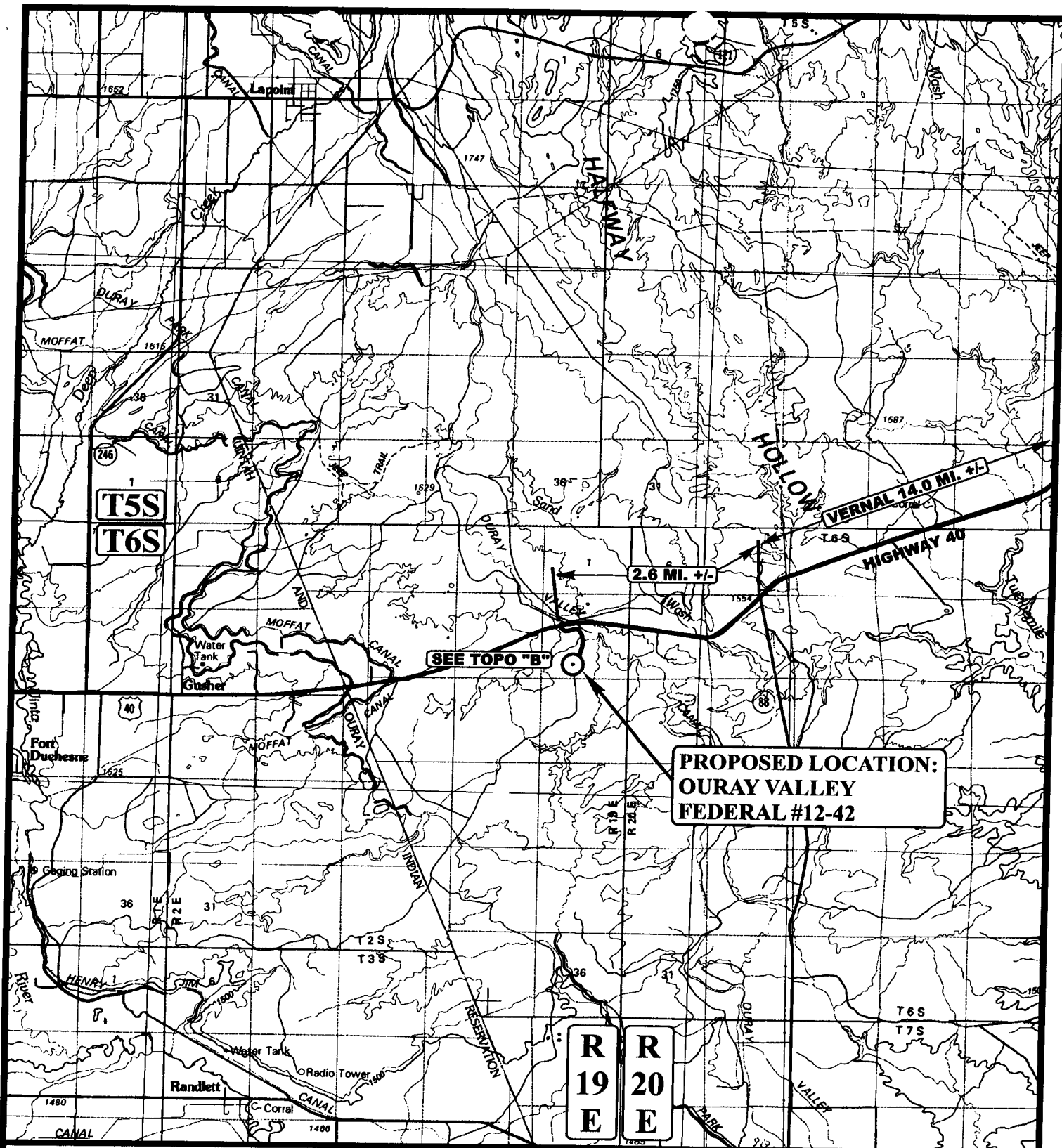
EXCESS MATERIAL = 5,300 Cu. Yds.

Topsoil & Pit Backfill = 3,900 Cu. Yds.  
(1/2 Pit Vol.)

EXCESS UNBALANCE = 1,400 Cu. Yds.  
(After Interim Rehabilitation)

UINTAH ENGINEERING & LAND SURVEYING

85 So. 200 East \* Vernal, Utah 84078 \* (435) 789-1017



# **LEGEND:**

○ PROPOSED LOCATION



**ELK PRODUCTION, LLC**

**OURAY VALLEY FEDERAL #12-42**  
**SECTION 12, T6S, R19E, S.L.B.&M.**  
**859' FSL 1847' FWL**



**Uintah Engineering & Land Surveying**  
**85 South 200 East Vernal, Utah 84078**  
**(435) 789-1017 \* FAX (435) 789-1813**

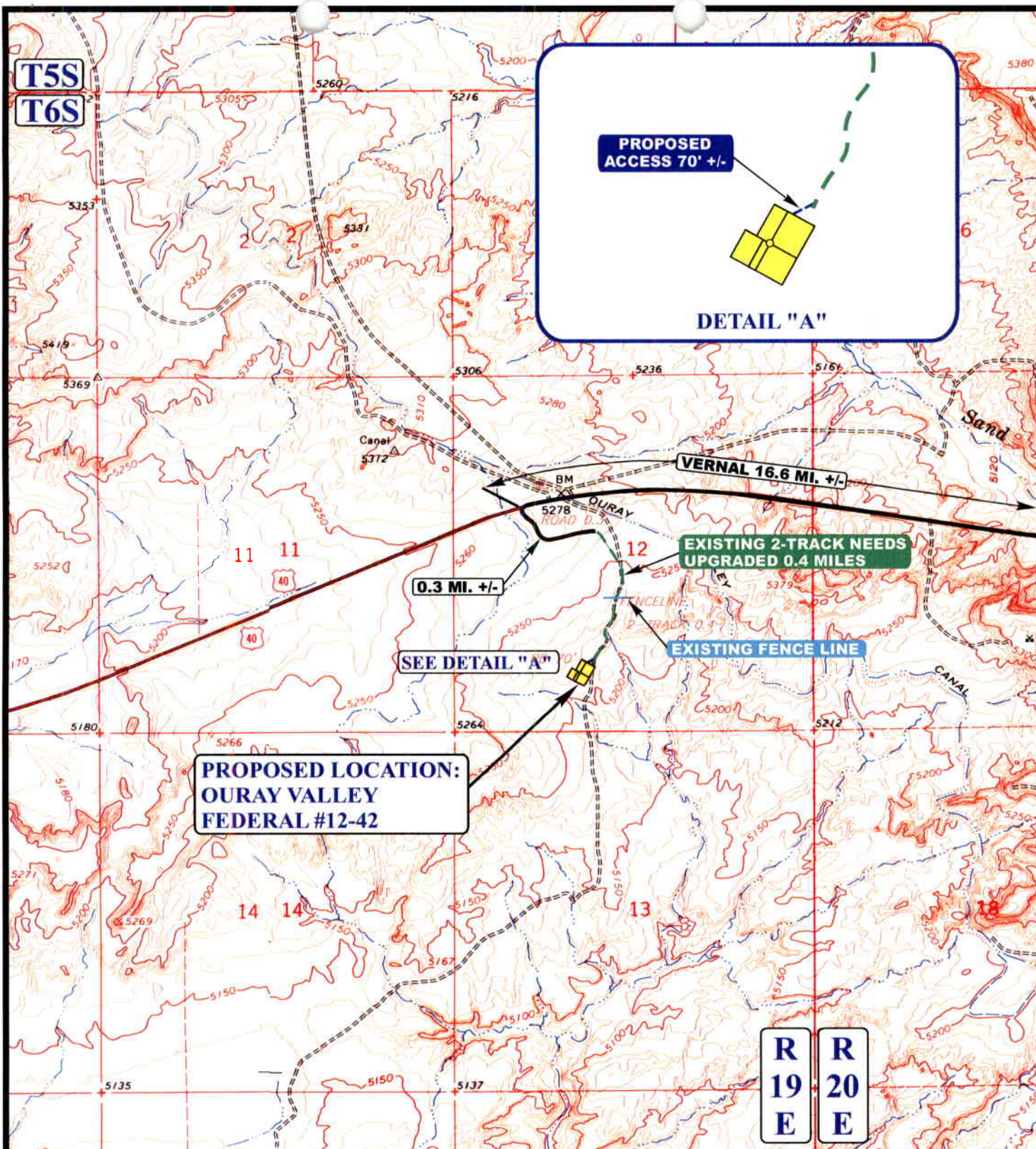
**TOPOGRAPHIC**  
**MAP**

**09** **27** **06**  
**MONTH** **DAY** **YEAR**

**SCALE: 1:100,000** **DRAWN BY: L.K.** **REVISED: 00-00-00**

**A**  
**TOPO**





# **LEGEND:**

— EXISTING ROAD  
- - - PROPOSED ACCESS ROAD

**ELK PRODUCTION, LLC**

**OURAY VALLEY FEDERAL #12-42**  
**SECTION 12, T6S, R19E, S.L.B.&M.**  
**859' FSL 1847' FWL**



**Uintah Engineering & Land Surveying**  
85 South 200 East Vernal, Utah 84078  
(435) 789-1017 \* FAX (435) 789-1813



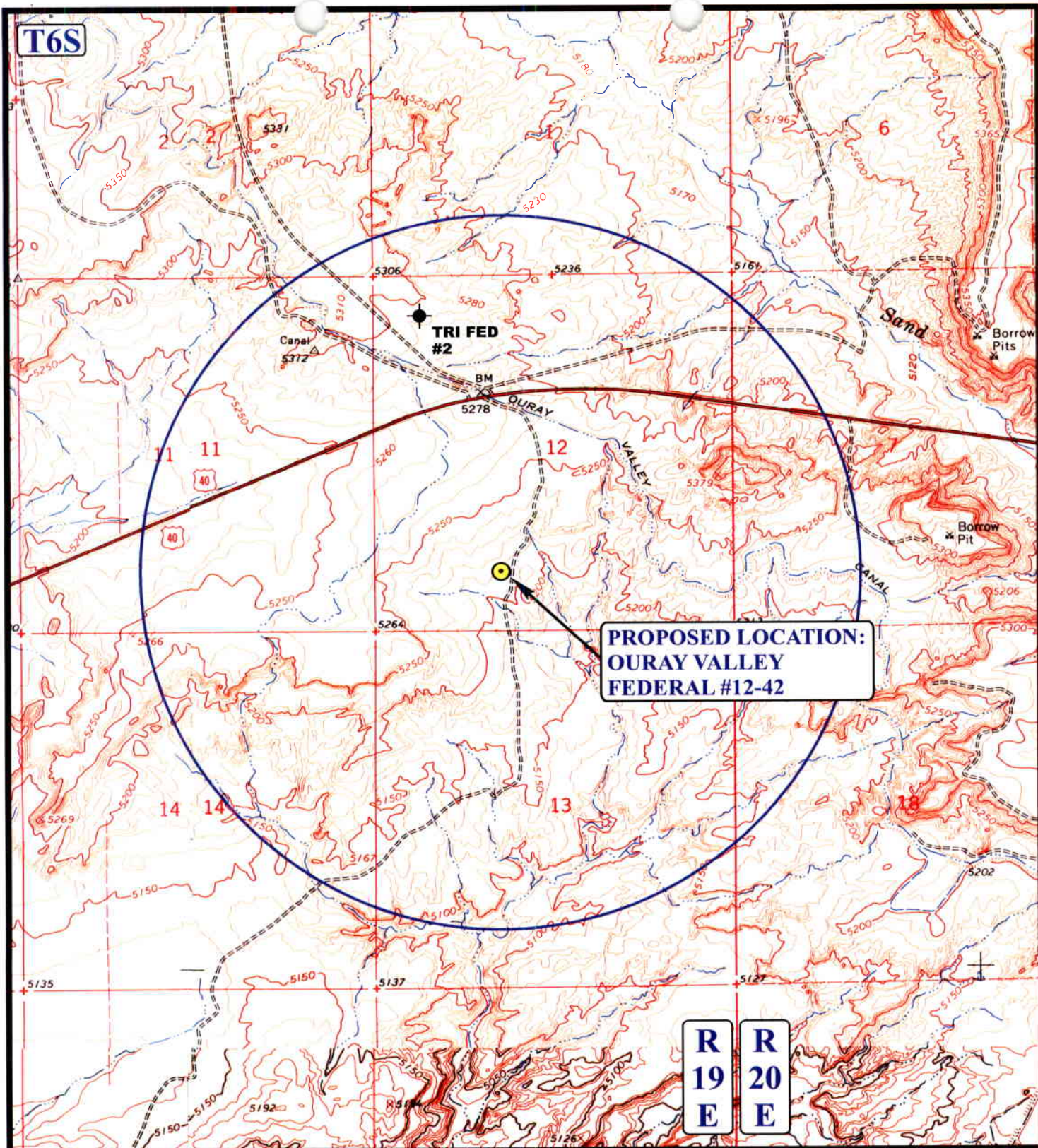
**TOPOGRAPHIC**  
**MAP**

**09 27 06**  
MONTH DAY YEAR

SCALE: 1" = 2000' DRAWN BY: L.K. REVISED: 00-00-00







# LEGEND:

- DISPOSAL WELLS
- PRODUCING WELLS
- SHUT IN WELLS
- WATER WELLS
- ABANDONED WELLS
- TEMPORARILY ABANDONED

ELK PRODUCTION, LLC

OURAY VALLEY FEDERAL #12-42  
SECTION 12, T6S, R19E, S.L.B.&M.  
859' FSL 1847' FWL



Uintah Engineering & Land Surveying  
85 South 200 East Vernal, Utah 84078  
(435) 789-1017 \* FAX (435) 789-1813



TOPOGRAPHIC  
MAP

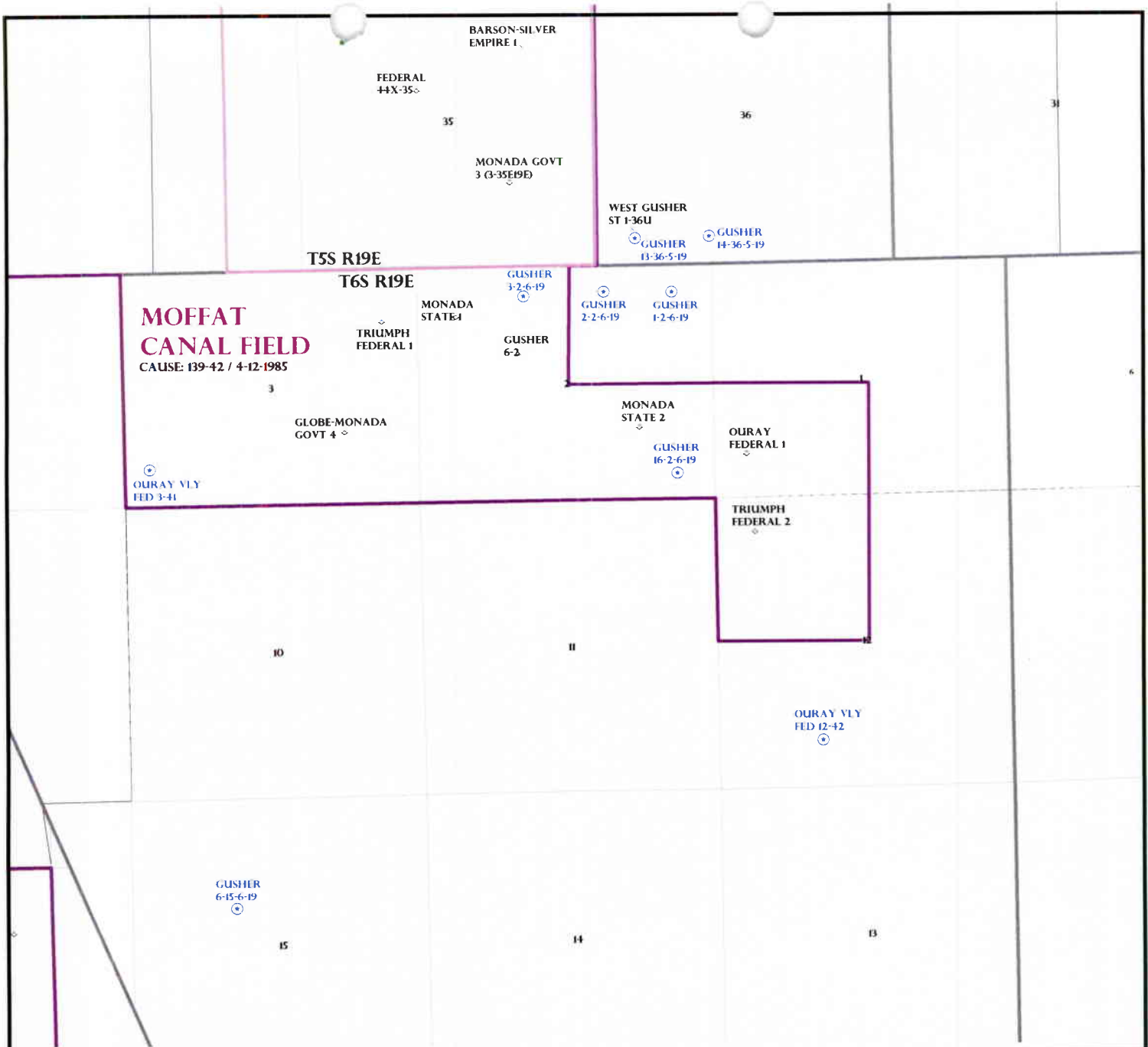
09 27 06  
MONTH DAY YEAR

SCALE: 1" = 2000' DRAWN BY: L.K. REVISED: 00-00-00





- 1- Decrease Approach
- 2- Spacing Slip



OPERATOR: ELK RESOURCES INC (N2650)

SEC: 12 T.6S R. 19E

FIELD: UNDESIGNATED (002)

COUNTY: UINTAH

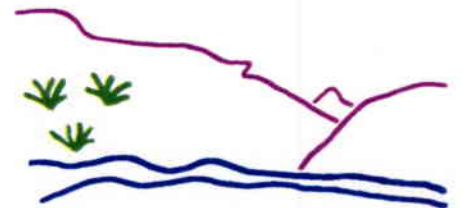
SPACING: R649-3-2 / GENERAL SITING

**Field Status**  
 ABANDONED  
 ACTIVE  
 COMBINED  
 INACTIVE  
 PROPOSED  
 STORAGE  
 TERMINATED

**Unit Status**  
 EXPLORATORY  
 GAS STORAGE  
 NF PP OIL  
 NF SECONDARY  
 PENDING  
 P1 OIL  
 PP GAS  
 PP GEOTHERML  
 PP OIL  
 SECONDARY  
 TERMINATED

**Wells Status**

GAS INJECTION  
 GAS STORAGE  
 LOCATION ABANDONED  
 NEW LOCATION  
 PLUGGED & ABANDONED  
 PRODUCING GAS  
 PRODUCING OIL  
 SHUT-IN GAS  
 SHUT-IN OIL  
 TEMP. ABANDONED  
 TEST WELL  
 WATER INJECTION  
 WATER SUPPLY  
 WATER DISPOSAL  
 DRILLING



*Utah Oil Gas and Mining*



PREPARED BY: DIANA MASON  
 DATE: 18-DECEMBER-2006



**State of Utah**

**Department of  
Natural Resources**

MICHAEL R. STYLER  
*Executive Director*

**Division of  
Oil, Gas & Mining**

JOHN R. BAZA  
*Division Director*

JON M. HUNTSMAN, JR.  
*Governor*

GARY R. HERBERT  
*Lieutenant Governor*

December 18, 2006

Elk Resources, Inc.  
1401 17th St., Ste. 700  
Denver, CO 80202

Re: Ouray Valley Federal 12-42 Well, 859' FSL, 1847' FWL, SE SW, Sec. 12,  
T. 6 South, R. 19 East, Uintah County, Utah

Gentlemen:

Pursuant to the provisions and requirements of Utah Code Ann. § 40-6-1 *et seq.*, Utah Administrative Code R649-3-1 *et seq.*, and the attached Conditions of Approval, approval to drill the referenced well is granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-047-38931.

Sincerely,

Gil Hunt  
Associate Director

pab  
Enclosures

cc: Uintah County Assessor (via e-mail)  
Bureau of Land Management, Vernal District Office



**Operator:** Elk Resources, Inc.  
**Well Name & Number** Ouray Valley Federal 12-42  
**API Number:** 43-047-38931  
**Lease:** UTU-76261

**Location:** SE SW                      Sec. 12                      T. 6 South                      R. 19 East

### **Conditions of Approval**

**1. General**

Compliance with the requirements of Utah Admin. R. 649-1 *et seq.*, the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for permit to drill.

**2. Notification Requirements**

Notify the Division within 24 hours of spudding the well.

- Contact Carol Daniels at (801) 538-5284.

Notify the Division prior to commencing operations to plug and abandon the well.

- Contact Dan Jarvis at (801) 538-5338

**3. Reporting Requirements**

All required reports, forms and submittals will be promptly filed with the Division, including but not limited to the Entity Action Form (Form 6), Report of Water Encountered During Drilling (Form 7), Weekly Progress Reports for drilling and completion operations, and Sundry Notices and Reports on Wells requesting approval of change of plans or other operational actions.

**4. State approval of this well does not supersede the required federal approval, which must be obtained prior to drilling.**

**5. This proposed well is located in an area for which drilling units (well spacing patterns) have not been established through an order of the Board of Oil, Gas and Mining (the "Board"). In order to avoid the possibility of waste or injury to correlative rights, the operator is requested, once the well has been drilled, completed, and has produced, to analyze geological and engineering data generated therefrom, as well as any similar data from surrounding areas if available. As soon as is practicable after completion of its analysis, and if the analysis suggests an area larger than the quarter-quarter section upon which the well is located is being drained, the operator is requested to seek an appropriate order from the Board establishing drilling and spacing units in conformance with such analysis by filing a Request for Agency Action with the Board.**

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENTFORM APPROVED  
OMB No. 1004-0137  
Expires: March 31, 2007

## SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well  
☐ Oil Well ☒ Gas Well ☐ Other2. Name of Operator  
Elk Resources, Inc.3a. Address  
1401 17th. St. Suite 700 Denver, Colorado, 802023b. Phone No. (include area code)  
303-296-45054. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
SESW Section 12-T6S-R19E, SLB&M, 859' FSL, 1847' FWL5. Lease Serial No.  
UTU-762616. If Indian, Allottee or Tribe Name  
NA7. If Unit or CA/Agreement, Name and/or No.  
NA8. Well Name and No.  
Ouray Valley Federal 12-429. API Well No.  
43-047-3893110. Field and Pool, or Exploratory Area  
Exploratory11. County or Parish, State  
Uintah, Utah

## 12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Change of Water</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	<u>Source for Drilling</u>
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleation in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Water for the drilling of the Ouray Valley Federal 12-42 will be pumped into tank trucks and trucked to the well site. Please see the attached approved Temporary Application Number 45-6177 (T77046). The source of the water is the Green River. Elk will be using a portion of the allocated amount of water for the drilling of the subject well.

COPY SENT TO OPERATOR

Date: 06/01/07  
Initials: CHD14. I hereby certify that the foregoing is true and correct  
Name (Printed/Typed)

Karin Kuhn

Title Sr. Engineering Technician

Signature

Date

05/23/2007

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Title

Date

Office

Federal Approval Of This  
Action Is Necessary

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

RECEIVED

MAY 29 2007

DIV. OF OIL, GAS &amp; MINING



JON M. HUNTSMAN, JR.  
*Governor*  
GARY R. HERBERT  
*Lieutenant Governor*

# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

### Division of Water Rights

MICHAEL R. STYLER  
*Executive Director*

JERRY D. OLDS  
*State Engineer/Division Director*

## ORDER OF THE STATE ENGINEER

### For Temporary Application Number 45-6177 (T77046)

Temporary Application Number 45-6177 (T77046) in the name of Elk Resources Inc was filed on April 18, 2007, to appropriate 20.00 acre-feet of water from a surface source to be located South 850 feet and East 750 feet from the N¼ Corner of Section 31, T6S, R21E, SLB&M. The water is to be used for oil exploration (drilling and completion of oil/gas wells in South Book Cliffs). The water is to be used in all or portion(s) of T5S, R19E, SLB&M; T5S, R20E, SLB&M; T6S, R19E, SLB&M; T6S, R20E, SLB&M; T7S, R19E, SLB&M; T8S, R20E, SLB&M; and T7S, R20E, SLB&M.

Notice of this temporary application was not published in a newspaper. It is the opinion of the State Engineer that it meets the criteria of Section 73-3-5.5 for temporary applications.

It appears that this temporary application can be approved without affecting existing water rights.

It is, therefore, **ORDERED** and Temporary Application Number 45-6177 (T77046) is hereby **APPROVED** subject to prior rights and the condition that this application will automatically, **PERMANENTLY LAPSE** on April 26, 2008.

Inasmuch as this application proposes to divert water from a surface source, the applicant is required to contact the Stream Alteration Section of the Division of Water Rights at 801-538-7240 to obtain a Stream Alteration permit in addition to this Temporary Application.

This application is also approved according to the conditions of the current appropriation policy guidelines for the Colorado River Drainage, adopted March 7, 1990.

This approval is limited to the rights to divert and beneficially use water and does not grant any rights of access to, or use of land, or facilities not owned by the applicant.

This approval is granted subject to prior rights. The applicant shall be liable to mitigate or provide compensation for any impairment of or interference with prior rights as such may be stipulated among parties or decreed by a court of competent jurisdiction.

Failure on your part to comply with the requirements of the applicable statutes (73-3-5.5 and 73-3-8 of the Utah Code) may result in forfeiture of this temporary application.

This application shall expire one year from the date hereof.

ORDER OF THE STATE ENGINEER  
Temporary Application Number  
45-6177 (T77046)  
Page 2

**It is the applicant's responsibility to maintain a current address with this office and to update ownership of their water right. Please notify this office immediately of any change of address or for assistance in updating ownership.**

Your contact with this office, should you need it, is with the Eastern Regional Office. The telephone number is 435-781-5327.

This Order is subject to the provisions of Administrative Rule R655-6-17 of the Division of Water Rights and to Sections 63-46b-13 and 73-3-14 of the Utah Code which provide for filing either a Request for Reconsideration with the State Engineer or an appeal with the appropriate District Court. A Request for Reconsideration must be filed with the State Engineer within 20 days of the date of this Order. However, a Request for Reconsideration is not a prerequisite to filing a court appeal. A court appeal must be filed within 30 days after the date of this Order, or if a Request for Reconsideration has been filed, within 30 days after the date the Request for Reconsideration is denied. A Request for Reconsideration is considered denied when no action is taken 20 days after the Request is filed.

Dated this 26 day of April, 2007.

Jerry D. Olds  
Jerry D. Olds, P.E., State Engineer

Mailed a copy of the foregoing Order this 26 day of April, 2007 to:

Elk Resources Inc  
Jeffrey J. Johnson  
P. O. Box 817  
Roosevelt, UT 84066

Stream Alteration Section  
Division of Water Rights

BY: Kelly K. Horne  
Kelly K. Horne, Appropriation Secretary

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

5. LEASE DESIGNATION AND SERIAL NUMBER:  
UTU-76261

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:  
NA

7. UNIT or CA AGREEMENT NAME:  
Ouray Valley Unit

8. WELL NAME and NUMBER:  
Ouray Valley Federal 12-42

9. API NUMBER:  
4304738931

10. FIELD AND POOL, OR WILDCAT:  
Undesignated

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL ☐ GAS WELL ☒ OTHER \_\_\_\_\_

2. NAME OF OPERATOR:  
Elk Resources, Inc.

3. ADDRESS OF OPERATOR: 1401 17th St., Suite 700 CITY Denver STATE CO ZIP 80202 PHONE NUMBER: (303) 296-4505

4. LOCATION OF WELL

FOOTAGES AT SURFACE: 859' FSL, 1847' FWL

COUNTY: Uintah

QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SESW 12 6S 19E S

STATE: UTAH

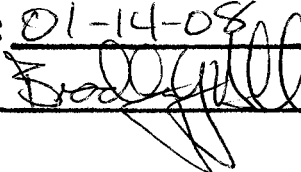
11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: Extend APD
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Elk requests to extend APD expiration date for one year (expiring 12/18/08). This drilling location has not received Federal approval yet. A sundry was submitted changing the water source and was approved on 5/29/07. Please see the attached APD Request for Permit Extension Validation form. There have been no additional changes.

Approved by the  
Utah Division of  
Oil, Gas and Mining

Date: 01-14-08  
By: 

COPY SENT TO OPERATOR  
Date: 1-16-2008  
Initials: KES

NAME (PLEASE PRINT) Karin Kuhn TITLE Sr. Engineering Technician  
SIGNATURE  DATE 1/10/2008

(This space for State use only)

RECEIVED

JAN 11 2008

DIV. OF OIL, GAS & MINING

**Application for Permit to Drill  
Request for Permit Extension  
Validation**

(this form should accompany the Sundry Notice requesting permit extension)

**API:** 4304738931  
**Well Name:** Ouray Valley Federal 12-42  
**Location:** SESW Section 12-T6S-R19E  
**Company Permit Issued to:** Elk Resources, Inc.  
**Date Original Permit Issued:** 12/18/2006

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.

If located on private land, has the ownership changed, if so, has the surface agreement been updated? Yes ☐ No ☒

Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? Yes ☐ No ☒

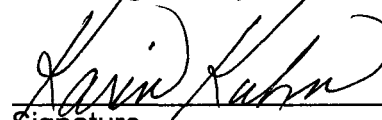
Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes ☐ No ☒

Have there been any changes to the access route including ownership, or right-of-way, which could affect the proposed location? Yes ☐ No ☒

Has the approved source of water for drilling changed? Yes ☒ No ☐

Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? Yes ☐ No ☒

Is bonding still in place, which covers this proposed well? Yes ☒ No ☐

  
\_\_\_\_\_  
Signature

1/10/2008

\_\_\_\_\_  
Date

Title: Sr. Engineering Technician

Representing: Elk Resources, Inc.

**RECEIVED**

**JAN 11 2008**

**DIV. OF OIL, GAS & MINING**

**Division of Oil, Gas and Mining**  
**OPERATOR CHANGE WORKSHEET**

**ROUTING**

1. DJJ
2. CDW

Change of Operator (Well Sold)

**X - Operator Name Change/Merger**

The operator of the well(s) listed below has changed, effective:

**2/11/2008**

**FROM: (Old Operator):**

N2755-Elk Resources, Inc.  
 1401 17th St, Suite 700  
 Denver, CO 80202  
 Phone: 1 (303) 296-4505

**TO: ( New Operator):**

N3480-Elk Resources, LLC.  
 1401 17th St, Suite 700  
 Denver, CO 80202  
 Phone: 1 (303) 296-4505

**CA No.**

**Unit:**

**OURAY VALLEY**

WELL NAME	SEC	TWN	RNG	API NO	ENTITY NO	LEASE TYPE	WELL TYPE	WELL STATUS
SEE ATTACHED LIST								

**OPERATOR CHANGES DOCUMENTATION**

Enter date after each listed item is completed

- (R649-8-10) Sundry or legal documentation was received from the **FORMER** operator on: 4/24/2008
- (R649-8-10) Sundry or legal documentation was received from the **NEW** operator on: 4/24/2008
- The new company was checked on the **Department of Commerce, Division of Corporations Database** on: 4/29/2008
- a. Is the new operator registered in the State of Utah: NO Business Number: \_\_\_\_\_
- b. If **NO**, the operator was contacted on: 4/29/2008
- a. (R649-9-2)Waste Management Plan has been received on: IN PLACE
- b. Inspections of LA PA state/fee well sites complete on: N/A
- c. Reports current for Production/Disposition & Sundries on: ok
- Federal and Indian Lease Wells:** The BLM and or the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases on: BLM 3/13/2008 BIA
- Federal and Indian Units:**  
The BLM or BIA has approved the successor of unit operator for wells listed on: 3/13/2008
- Federal and Indian Communization Agreements ("CA"):**  
The BLM or BIA has approved the operator for all wells listed within a CA on: n/a
- Underground Injection Control ("UIC")** The Division has approved UIC Form 5, **Transfer of Authority to Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: \_\_\_\_\_

**DATA ENTRY:**

- Changes entered in the **Oil and Gas Database** on: 4/29/2008
- Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 4/29/2008
- Bond information entered in RBDMS on: 4/29/2008
- Fee/State wells attached to bond in RBDMS on: 4/29/2008
- Injection Projects to new operator in RBDMS on: n/a
- Receipt of Acceptance of Drilling Procedures for APD/New on: ok

**BOND VERIFICATION:**

- Federal well(s) covered by Bond Number: UTB000135
- Indian well(s) covered by Bond Number: n/a
- a. (R649-3-1) The **NEW** operator of any fee well(s) listed covered by Bond Number B000969
- b. The **FORMER** operator has requested a release of liability from their bond on: n/a

**LEASE INTEREST OWNER NOTIFICATION:**

- (R649-2-10) The **FORMER** operator of the fee wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on: n/a

**COMMENTS:** Bond was amended from Elk Resources, Inc to Elk Resources, LLC

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

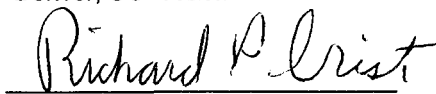
Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

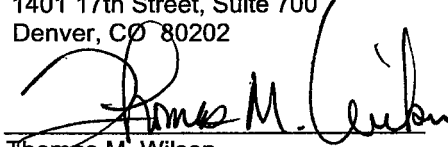
1. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: See Attached List
2. NAME OF OPERATOR: ELK RESOURCES, LLC		6. IF INDIAN, ALLOTTEE OR TRIBE NAME: NA
3. ADDRESS OF OPERATOR: 1401 17th. St., Suite 700 CITY Denver STATE CO ZIP 80202		7. UNIT or CA AGREEMENT NAME: Aurora "Deep" Unit
4. LOCATION OF WELL FOOTAGES AT SURFACE: _____ COUNTY: UINTAH		8. WELL NAME and NUMBER: See Attached List
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: _____ STATE: UTAH		9. API NUMBER: See List
		10. FIELD AND POOL, OR WILDCAT: See Attached List

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA			
TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: CHANGE OF OPERATOR
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

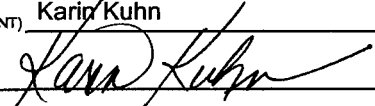
12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Effective February 11, 2008, Elk Resources, LLC became the operator of the wells on the attached list.

Previous Operator:  
ELK RESOURCES, INC. (N2755)  
a Texas limited liability company  
1401 17th Street, Suite 700  
Denver, CO 80202  
  
Richard P. Crist  
Executive Vice President Business Development

New Operator:  
ELK RESOURCES, LLC N3480  
a Texas limited liability company  
1401 17th Street, Suite 700  
Denver, CO 80202  
  
Thomas M. Wilson  
CEO

BLM BOND = UTB000135  
State + Fee BOND = B000969

NAME (PLEASE PRINT) Karin Kuhn	TITLE Sr. Engineering Technician
SIGNATURE 	DATE 4/14/2008

(This space for State use only)

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well_name	sec	tpw	rng	api	entity	lease	well	stat	flag	qtr_qtr	unit	l_num
HUBER FED 26-24	26	050S	190E	4304738400	15966	Federal	OW	P	C	SENE	OURAY VALLEY	UTU-75673
OURAY VLY FED 12-42	12	060S	190E	4304738931		Federal	GW	APD	C	SESW	OURAY VALLEY	UTU-76261
OURAY VLY FED 3-41	03	060S	190E	4304738932		Federal	GW	APD	C	SWSW	OURAY VALLEY	UTU-76260
OURAY VLY ST 36-11-5-19	36	050S	190E	4304739641		State	GW	APD	C	NWNW	OURAY VALLEY	ML-50608
OURAY VLY ST 36-32-5-19	36	050S	190E	4304739642		State	GW	NEW	C	NESW	OURAY VALLEY	ML-50608
OURAY VLY FED 1-22-6-19	01	060S	190E	4304739643		Federal	GW	APD	C	SENW	OURAY VALLEY	UTU-085214
OURAY VLY FED 1-42-6-19	01	060S	190E	4304739644		Federal	GW	APD	C	SESW	OURAY VALLEY	UTU-085214



**United States Department of the Interior**  
**BUREAU OF LAND MANAGEMENT**

Utah State Office  
P.O. Box 45155  
Salt Lake City, UT 84145-0155  
<http://www.blm.gov/ut/st/en.html>



IN REPLY REFER TO:

UTU-0143511, et al.

BLM Bond Number: UTB000135

Surety Bond Number: B000971

March 13, 2008

**NOTICE**

Elk Resources, LLC  
1401 17<sup>th</sup> Street, Suite 700  
Denver, Colorado 80202

U.S. Specialty Insurance Co.  
13403 Northwest Freeway  
Houston, Texas 77040

**MERGER RECOGNIZED**

We received acceptable evidence of the merger of Elk Resources, Inc. into Elk Resources, LLC. Elk Resources, LLC is the surviving entity. This recognition is effective February 6, 2008, as certified by the Secretary of State, State of Texas.

We have documented the merger by copy of this notice in the oil and gas lease files identified on the enclosed exhibit. We have also updated our automated records. We compiled the exhibit from leases shown on our automated records system and any list of leases you provided. The exhibit also reflects serial numbers of agreements where you are the operator. We are notifying the Minerals Management Service and all Bureau of Land Management (BLM) offices of the merger by copies of this notice.

If you find additional leases where the merging parties maintain an interest, please contact this office. We will document the records under our jurisdiction, and if the leases are under the jurisdiction of another State Office, we will notify them.

This merger affects the following bond(s) held by the BLM:

BLM Bond Number: UTB000135	Amount: \$ 25,000	Surety/Other Identifier: B000971
BLM Bond Number: UTB000299	Amount: \$ 5,000	Surety/Other Identifier: B004125

We have updated our bond file and automated system to reflect the merger. If the principal's/obligor's name also changed, we have updated our records to reflect the correct name. No rider is necessary as the change occurred by operation of law. We are in the process

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**MAR 17 2008**

DIV. OF OIL, GAS & MINING

of determining the total liability for the leases affected by the merger and may require increased coverage in a later action.

If you have any questions, please contact Leslie Wilcken at (801) 539-4112.

/s/ Becky J. Hammond

Becky J. Hammond  
Chief, Branch of Fluid Minerals

Enclosure

1-Exhibit: List of Leases

cc (w/encl):

MMS-MRM, Attn: (Leona Reilly)  
State of Utah, DOGM  
Vernal Field Office  
Branch Chief, Lands & Reality  
Merger/Name Change File  
Connie Seare  
Dave Mascarenas  
Susan Bauman

Electronic copies (w/encl):

BLM\_Bond\_Surety  
BLM\_Fluids\_Forum

Lease #	Agreement #	
UTU-0143511	UTU-82456X	Aurora (Deep)
UTU-0143512	UTU-82456A	
UTU-04378	UTU-84716X	Ouray Valley
UTU-21308	UTU-86071X	N Horseshoe
UTU-74417		Bend (Pending)
UTU-75092		
UTU-75093		
UTU-75673		
UTU-76259		
UTU-76260		
UTU-76261		
UTU-78445		
UTU-80689		
UTU-82565		
UTU-82566		
UTU-82567		
UTU-85219		
UTU-85487		
UTU-85488		
UTU-85489		
UTU-85589		
UTU-85590		
UTU-85591		

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED  
OMB No. 1004-0137  
Expires March 31, 2007

5. Lease Serial No.  
UTU-76261

6. If Indian, Allottee or Tribe Name  
NA

7. If Unit or CA Agreement, Name and No.

*Ouray Valley Unit (3/12/07)*

8. Lease Name and Well No.

Ouray Valley Federal 12-42

9. API Well No.

*43 047 38931*

10. Field and Pool, or Exploratory  
Exploratory

11. Sec., T. R. M. or Blk. and Survey or Area

Lot 9, Sec. 12-T6S-R19E, SLB&M

12. County or Parish  
Uintah County

13. State  
UT

1a. Type of work: ☒ DRILL

☐ REENTER

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other

☐ Single Zone ☒ Multiple Zone

2. Name of Operator  
Elk Resources, Inc.

3a. Address 1401 17th Street, Suite 700  
Denver, CO 80202

3b. Phone No. (include area code)  
303-296-4505

4. Location of Well (Report location clearly and in accordance with any State requirements.)\*

At surface 859' FSL, 1847' FWL

At proposed prod. zone 859' FSL, 1847' FWL

14. Distance in miles and direction from nearest town or post office\*  
Approximately 17.3 miles Southwest of Vernal, UT

15. Distance from proposed\*  
location to nearest  
property or lease line, ft.  
(Also to nearest drig. unit line, if any) 859'

16. No. of acres in lease  
1400.84

17. Spacing Unit dedicated to this well  
40

18. Distance from proposed location\*  
to nearest well, drilling, completed,  
applied for, on this lease, ft. NA

19. Proposed Depth  
14500'

20. BLM/BIA Bond No. on file  
BLM: UTB000135

21. Elevations (Show whether DF, KDB, RT, GL, etc.)  
5212' GR

22. Approximate date work will start\*  
03/01/2007

23. Estimated duration  
60 days drilling, 30 days completion

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office).

4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the BLM.

25. Signature

Name (Printed/Typed)  
Karin Kuhn

Date  
12/05/2006

Title

Sr Engineering Technician

Approved by (Signature)

Name (Printed/Typed)

Terry Kewicka

Date

6-16-2008

Title

Assistant Field Manager  
Lands & Mineral Resources

Office

VERNAL FIELD OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.  
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\*(Instructions on page 2)

CONDITIONS OF APPROVAL ATTACHED

NOTICE OF APPROVAL

RECEIVED

JUN 24 2008

DIV. OF OIL, GAS & MINING

CONFIDENTIAL

075X50200A



UNITED STATES DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
VERNAL FIELD OFFICE

170 South 500 East

VERNAL, UT 84078

(435) 781-4400



**CONDITIONS OF APPROVAL FOR APPLICATION FOR PERMIT TO DRILL**

Company: Elk Resources, LLC  
Well No: Ouray Valley Federal 12-42  
API No: 43-047-38931

Location: Lot 9, Sec. 12, T6S, R19E  
Lease No: UTU-76261  
Agreement: Ouray Valley Unit

Title	Name	Office Phone Number	Cell Phone Number
Petroleum Engineer:	Matt Baker	(435) 781-4490	(435) 828-4470
Petroleum Engineer:	Michael Lee	(435) 781-4432	(435) 828-7875
Petroleum Engineer:	James Ashley	(435) 781-4470	(435) 828-7874
Petroleum Engineer:	Ryan Angus	(435) 781-4430	(435) 828-7368
Supervisory Petroleum Technician:	Jamie Sparger	(435) 781-4502	(435) 828-3913
Supervisory NRS:	Karl Wright	(435) 781-4484	(435) 828-7381
NRS/Enviro Scientist:	Holly Villa	(435) 781-4404	(435) 828-3544
NRS/Enviro Scientist:	James Hereford	(435) 781-3412	
NRS/Enviro Scientist:	Chuck Macdonald	(435) 781-4441	(435) 828-7481
NRS/Enviro Scientist:	Dan Emmett	(435) 781-3414	
NRS/Enviro Scientist:	Paul Percival	(435) 781-4493	
NRS/Enviro Scientist:	Michael Cutler	(435) 781-3401	(435) 828-3546
NRS/Enviro Scientist:	Anna Figueroa	(435) 781-3407	(435) 828-3548
NRS/Enviro Scientist:	Verlyn Pindell	(435) 781-3402	(435) 828-3547
NRS/Enviro Scientist:	Darren Williams	(435) 781-4447	(435) 828-4029
NRS/Enviro Scientist:	Nathan Packer	(435) 781-3405	(435) 828-3545

Fax: (435) 781-3420

**A COPY OF THESE CONDITIONS SHALL BE FURNISHED TO YOUR  
FIELD REPRESENTATIVE TO INSURE COMPLIANCE**

All lease and/or unit operations are to be conducted in such a manner that full compliance is made with the applicable laws, regulations (43 CFR Part 3160), and this approved Application for Permit to Drill including Surface and Downhole Conditions of Approval. The operator is considered fully responsible for the actions of his subcontractors. A copy of the approved APD must be on location during construction, drilling, and completion operations. **This permit is approved for a two (2) year period, or until lease expiration, whichever occurs first. An additional extension, up to two (2) years, may be applied for by sundry notice prior to expiration.**

**NOTIFICATION REQUIREMENTS**

Location Construction (Notify Environmental Scientist)	-	Forty-Eight (48) hours prior to construction of location and access roads.
Location Completion (Notify Environmental Scientist)	-	Prior to moving on the drilling rig.
Spud Notice (Notify Petroleum Engineer)	-	Twenty-Four (24) hours prior to spudding the well.
Casing String & Cementing (Notify Supv. Petroleum Tech.)	-	Twenty-Four (24) hours prior to running casing and cementing all casing strings.
BOP & Related Equipment Tests (Notify Supv. Petroleum Tech.)	-	Twenty-Four (24) hours prior to initiating pressure tests.
First Production Notice (Notify Petroleum Engineer)	-	Within Five (5) business days after new well begins or production resumes after well has been off production for more than ninety (90) days.

***SURFACE USE PROGRAM  
CONDITIONS OF APPROVAL (COAs)***

***Surface COAs:***

- If there is an active Gilsonite mining operation within 2 miles of the well location, operator shall notify the Gilsonite operator at least 48 hours prior to any blasting during construction.
- If paleontological materials are uncovered during construction, the operator is to immediately stop work and contact the Authorized Officer (AO). A determination will be made by the AO as to what mitigation may be necessary for the discovered paleontologic material before construction can continue.

Additional Surface Conditions of Approval or monitoring listed in the Surface Use Plan of the APD's.

***Site Specific COAs:***

**Wildlife Stipulations/COAs:**

**Golden Eagle**

***Mitigation Measures:***

- **There are two known nest sites within 0.5 miles of the proposed location (Ouray Valley Federal #3-41). With these occurrences, there will be a timing restriction to protect Golden Eagle nesting from February 1 – July 15. Prior to any construction between 1 February and 15 July, all areas within 0.5 mile of proposed development locations will be surveyed for Golden Eagle nests. If active nests were identified, no surface disturbance will occur within 0.5 mile of the nest from February 1 to July 15, and no permanent structures will be constructed within 0.5 mile of the nest, unless the nest is topographically screened or located within an artificial nesting structure.**
- **Lease Notices from RMP: The lessee/operator is given notice the area has been identified as containing Golden Eagle and Ferruginous Hawk habitat. Modifications may be required in the Surface Use Plan to protect the Golden Eagles and Ferruginous Hawk and/or their habitat from surface disturbance activities in accordance with Section 6 of the lease terms, Endangered Species Act, and 43 CFR 3101.1-2.**
- **Threatened and Endangered Fish Mitigation for Water Supply**
  1. The best method to avoid entrainment is to pump from an off-channel location – one that does not connect to the river during high spring flows. An infiltration gallery constructed in a BLM and Service approved location is best.
  2. If the pump head is located in the river channel where larval fish are known to occur, the following measures apply:
    - a. do not situate the pump in a low-flow or no-flow area as these habitats tend to concentrate larval fishes;

- b. limit the amount of pumping, to the greatest extent possible, during that period of the year when larval fish may be present (see above); and
  - c. limit the amount of pumping, to the greatest extent possible, during the pre-dawn hours as larval drift studies indicate that this is a period of greatest daily activity.
3. Screen all pump intakes with ¼" mesh material.
4. Report any fish impinged on the intake screen to the Service (801.975.3330) and the Utah Division of Wildlife Resources:

**Northeastern Region**

152 East 100 North, Vernal, UT 84078

Phone: (435) 781-9453

**CONDITIONS OF APPROVAL:**

- Submit Sundry Notice Form 3160-5 for pipeline requests and necessary right-of-ways to Authorized Officer of the Vernal BLM if well are productive. A Sundry Notice will detail any changes in pipeline proposal from the Proposed Action.
- Prior to water disposal, submit Sundry Notice Form 3160-5 specifying Approved Water Disposal facilities to be used in conjunction with Proposed Action.
- During operations, if any vertebrate paleontological resources are discovered, all operations affecting such sites shall be immediately suspended, and all discoveries shall be left intact until authorized to proceed by the Authorized Officer. The Authorized Officer of the Vernal BLM office shall be notified within 48 hrs of the discovery and a decision as to the preferred alternative/course of action will be rendered.
- The operator will control noxious weeds along access road use authorizations, pipeline route authorizations, well sites, or other applicable facilities by spraying or mechanical removal. A list of noxious weeds may be obtained from the BLM weeds specialist or the appropriate County Extension Office. On BLM administered land, it is required that a Pesticide Use Proposal (PUP) be submitted and approved prior to the application of herbicides, pesticides or possibly hazardous chemicals.
- All applicable local, state, and/or federal laws, regulations, and/or statutes will be complied with.
- All traffic related to this action will be restricted to approved routes. Cross-country vehicle travel will not be allowed.
- No vehicle travel, construction or routine maintenance activities shall be performed during periods when the soil is too wet to adequately support vehicles and/or construction equipment. If such equipment creates ruts in excess of four inches deep, the soil shall be deemed too wet to adequately support construction equipment.
- The access road will be crowned and ditched. Flat-bladed roads are not allowed.



- If additional erosion occurs during the life of this project, more culverts, low water crossings, berms, wing ditches or etc. will be needed to control the erosion.
- Low-water crossings will be appropriately constructed to avoid sedimentation of drainage ways and other water resources.
- Pipelines will be buried at all major drainage crossings.
- Prevent fill and stock piles from entering drainages.
- **The reserve pit will be lined with 12 ml or greater liner and 1 felt liner prior to spudding.**
- The liner is to be cut 5 feet below ground surface or at the level of the cuttings, whichever is deeper, and the excess liner material is to be disposed of at an authorized disposal site.
- When the reserve pit contains fluids or toxic substances, the operator must ensure animals do not ingest or become entrapped in pit fluids.
- If Uinta Basin hookless cactus or other special status plants are found, construction will cease and the AO will be notified to determine the appropriate mitigation.
- The authorized officer may prohibit surface disturbing activities during severe winter conditions to minimize watershed damage. This limitation does not apply to operation and maintenance of producing wells.
- The authorized officer may prohibit surface disturbing activities during wet or muddy conditions to minimize watershed damage. This limitation does not apply to operation and maintenance of producing wells.
- All permanent (on-site six months or longer), above ground structures constructed or installed, including pumping units, any subsequent approved equipment/facilities will be painted a flat, non-reflective, earth tone color to match one of the standard environmental colors, as determined by the five state Rocky Mountain Inter-Agency Committee. All facilities will be painted within six months of installation. Facilities required to comply with the Occupational Safety and Health Act (OSHA) will be excluded. **The requested color is Carlsbad Canyon as determined during the on-site inspection.**

#### **Reclamation:**

- Before any interim reclamation dirt work takes place, the reserve pit will be as dry as possible. All debris will be removed. Other waste and spoil materials will be disposed of immediately upon completion of operations. As a Best Management Practice, the reserve pit and the location up to the deadman will be re-contoured to the approximate natural contours. The reserve pit will be reclaimed within 90 days from the date of well completion, weather permitting. To prevent surface water from standing (ponding) on the reclaimed reserve pit area, final reclamation of the reserve pit will consist of "mounding" the surface three feet above surrounding ground surface to

allow the reclaimed pit area to drain effectively. Upon completion of backfilling leveling, and re-contouring, the stockpiled topsoil will be spread evenly over the reclaimed area and then will be seeded using the following seed mix.

**Interim seed mix:**

Bottlebrush Squirreltail grass <i>Elymus elymoides</i>	1 lbs/acre
Hy-crest Crested Wheatgrass <i>Agropyron cristatum</i>	9 lbs/acre
Wyoming Big Sagebrush <i>Artemisia tridentata</i> var. <i>Wyomingensis</i>	1 lbs/acre
Shadscale saltbush <i>Atriplex confertifolia</i>	1 lbs/acre

**Final reclamation seed mix:**

Bottlebrush Squirreltail grass <i>Elymus elymoides</i>	1 lbs/acre
Hy-crest Crested Wheatgrass <i>Agropyron cristatum</i>	9 lbs/acre
Wyoming Big Sagebrush <i>Artemisia tridentata</i> var. <i>Wyomingensis</i>	1 lbs/acre
Shadscale saltbush <i>Atriplex confertifolia</i>	1 lbs/acre

- All pounds are in pure live seed.
  - All seed and mulch will be certified weed free.
  - Drill seeding is the preferred method.
  - Rates are set for drill seeding; double the rate if broadcasting.
  - If broadcasting seed: The seed will be walked into the soil with a dozer immediately after the seeding is completed, or covered by soil using a drag chain.
  - The seedbed shall be prepared prior to seeding by ripping approximately 6" deep using a dozer or roughening the ground surface. Ideally the ripping shall be cross hatched. The first rip shall be in the direction of the flow of run off water. The second rip shall be cross ways to the first rip. On slopes that are prone to erosion, terracing with the contour of the slope shall be done to reduce erosion.
  - Reseeding may be required if initial seeding is not successful.
- Trees and woody debris must be removed from the site and piled separately off site and saved for final reclamation. During final reclamation the trees and woody debris will be loped and scattered over the re-contoured and seeded areas, and spread evenly across the site. Trees and woody debris will not account for more than 20% of the total surface area of the site.
  - Once the location is plugged and abandoned, it shall be re-contoured to the natural topography, topsoil shall be re-spread, and the entire location shall be seeded with the final reclamation seed mix. Seed application will follow all guidelines in the interim seed mix bullet statement above. If reclamation seeding should take place using the broadcast method, the seed at a minimum will be walked into the soil with a dozer, immediately after the seeding is completed, or covered by soil using a drag chain.
  - All boulders with a length or diameter greater than 3 feet, that are found showing at the surface, will be stockpiled for use during final reclamation.
  - Notify the Authorized Officer 48 hours prior to surface disturbing activities.

***DOWNHOLE CONDITIONS OF APPROVAL (COAs):***

**SITE SPECIFIC COAs:**

- All requirements regarding 5M & 10M BOPE in Onshore Order #2 Drilling Operations shall be strictly adhered to.
- The 5M BOPE shall be installed and tested on the 9-5/8" casing and the 10M BOPE shall be installed and tested on the 7" casing.
- All casing strings shall be tested in accordance with requirements in Onshore Order #2 Drilling Operations.
- Casing shoe integrity tests are required on all casing shoes.
- Production casing cement top shall be at a minimum of 200' above the surface casing shoe.
- A Cement Bond Log (CBL) shall be run from TD to the base of the surface casing.

**All provisions outlined in Onshore Oil & Gas Order #2 Drilling Operations shall be strictly adhered to.** The following items are emphasized:

**DRILLING/COMPLETION/PRODUCING OPERATING STANDARDS**

- The spud date and time shall be reported orally to Vernal Field Office within 24 hours of spudding.
- Notify Vernal Field Office Supervisory Petroleum Engineering Technician at least 24 hours in advance of casing cementing operations and BOPE & casing pressure tests.
- Blowout prevention equipment (BOPE) shall remain in use until the well is completed or abandoned. Closing unit controls shall remain unobstructed and readily accessible at all times. Choke manifolds shall be located outside of the rig substructure.
- All BOPE components shall be inspected daily and those inspections shall be recorded in the daily drilling report. Components shall be operated and tested as required by Onshore Oil & Gas Order No. 2 to insure good mechanical working order. All BOPE pressure tests shall be performed by a test pump with a chart recorder and **NOT** by the rig pumps. Test shall be reported in the driller's log.
- BOP drills shall be initially conducted by each drilling crew within 24 hours of drilling out from under the surface casing and weekly thereafter as specified in Onshore Oil & Gas Order No. 2.

- Casing pressure tests are required before drilling out from under all casing strings set and cemented in place.
- No aggressive/fresh hard-banded drill pipe shall be used within casing.
- **Cement baskets shall not be run on surface casing.**
- The operator must report all shows of water or water-bearing sands to the BLM. If flowing water is encountered it must be sampled, analyzed, and a copy of the analyses submitted to the BLM Vernal Field Office.
- The operator must report encounters of all non oil & gas mineral resources (such as Gilsonite, tar sands, oil shale, trona, etc.) to the Vernal Field Office, in writing, within 5 working days of each encounter. Each report shall include the well name/number, well location, date and depth (from KB or GL) of encounter, vertical footage of the encounter and, the name of the person making the report (along with a telephone number) should the BLM need to obtain additional information.
- A complete set of angular deviation and directional surveys of a directional well will be submitted to the Vernal BLM office engineer within 30 days of the completion of the well.
- Chronologic drilling progress reports shall be filed directly with the BLM, Vernal Field Office on a weekly basis in sundry, letter format or e-mail to the Petroleum Engineers until the well is completed.
- A cement bond log (CBL) will be run from the production casing shoe to the top of cement and shall be utilized to determine the bond quality for the production casing. Submit a field copy of the CBL to this office.
- **Please submit an electronic copy of all other logs run on this well in LAS format to UT\_VN\_Welllogs@BLM.gov. This submission will supersede the requirement for submittal of paper logs to the BLM.**
- There shall be no deviation from the proposed drilling, completion, and/or workover program as approved. Safe drilling and operating practices must be observed. Any changes in operation must have prior approval from the BLM Vernal Field Office.

## **OPERATING REQUIREMENT REMINDERS:**

- All wells, whether drilling, producing, suspended, or abandoned, shall be identified in accordance with 43 CFR 3162.6. There shall be a sign or marker with the name of the operator, lease serial number, well number, and surveyed description of the well.
- In accordance with 43 CFR 3162.4-3, this well shall be reported on the "Monthly Report of Operations" (Oil and Gas Operations Report ((OGOR)) starting with the month in which operations commence and continue each month until the well is physically plugged and abandoned. This report shall be filed in duplicate, directly with the Minerals Management Service, P.O. Box 17110, Denver, Colorado 80217-0110, or call 1-800-525-7922 (303) 231-3650 for reporting information.
- Should the well be successfully completed for production, the BLM Vernal Field office must be notified when it is placed in a producing status. Such notification will be by written communication and must be received in this office by not later than the fifth business day following the date on which the well is placed on production. The notification shall provide, as a minimum, the following informational items:
  - Operator name, address, and telephone number.
  - Well name and number.
  - Well location (¼¼, Sec., Twn, Rng, and P.M.).
  - Date well was placed in a producing status (date of first production for which royalty will be paid).
  - The nature of the well's production, (i.e., crude oil, or crude oil and casing head gas, or natural gas and entrained liquid hydrocarbons).
  - The Federal or Indian lease prefix and number on which the well is located; otherwise the non-Federal or non-Indian land category, i.e., State or private.
  - Unit agreement and/or participating area name and number, if applicable.
  - Communitization agreement number, if applicable.
- Any venting or flaring of gas shall be done in accordance with Notice to Lessees (NTL) 4A and needs prior approval from the BLM Vernal Field Office.
- All undesirable events (fires, accidents, blowouts, spills, discharges) as specified in NTL 3A will be reported to the BLM, Vernal Field Office. Major events, as defined in NTL3A, shall be reported verbally within 24 hours, followed by a written report within 15 days. "Other than Major Events" will be reported in writing within 15 days. "Minor Events" will be reported on the Monthly Report of Operations and Production.

- Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (BLM Form 3160-4) shall be submitted not later than 30 days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3162.4-1. Two copies of all logs run, core descriptions, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, shall be filed on BLM Form 3160-4. Submit with the well completion report a geologic report including, at a minimum, formation tops, and a summary and conclusions. Also include deviation surveys, sample descriptions, strip logs, core data, drill stem test data, and results of production tests if performed. Samples (cuttings, fluid, and/or gas) shall be submitted only when requested by the BLM, Vernal Field Office.
- All off-lease storage, off-lease measurement, or commingling on-lease or off-lease, shall have prior written approval from the BLM Vernal Field Office.
- Oil and gas meters shall be calibrated in place prior to any deliveries. The BLM Vernal Field Office Petroleum Engineers will be provided with a date and time for the initial meter calibration and all future meter proving schedules. A copy of the meter calibration reports shall be submitted to the BLM Vernal Field Office. All measurement facilities will conform to the API standards for liquid hydrocarbons and the AGA standards for natural gas measurement. All measurement points shall be identified as the point of sale or allocation for royalty purposes.
- A schematic facilities diagram as required by Onshore Oil & Gas Order No. 3 shall be submitted to the BLM Vernal Field Office within 30 days of installation or first production, whichever occurs first. All site security regulations as specified in Onshore Oil & Gas Order No. 3 shall be adhered to. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed in accordance with Onshore Oil & Gas Order No. 3.
- Any additional construction, reconstruction, or alterations of facilities, including roads, gathering lines, batteries, etc., which will result in the disturbance of new ground, shall require the filing of a suitable plan and need prior approval of the BLM Vernal Field Office. Emergency approval may be obtained orally, but such approval does not waive the written report requirement.
- No location shall be constructed or moved, no well shall be plugged, and no drilling or workover equipment shall be removed from a well to be placed in a suspended status without prior approval of the BLM Vernal Field Office. If operations are to be suspended for more than 30 days, prior approval of the BLM Vernal Field Office shall be obtained and notification given before resumption of operations.
- Pursuant to Onshore Oil & Gas Order No. 7, this is authorization for pit disposal of water produced from this well for a period of 90 days from the date of initial production. A permanent disposal method must be approved by this office and in operation prior to the end of this 90-day period. In order to meet this deadline, an application for the proposed permanent disposal method shall be submitted along with any necessary water analyses, as soon as possible, but no later than 45 days after the date of first production. Any method of disposal which has not been approved prior to the end of the authorized 90-day period will be considered as an Incident of Noncompliance and will be grounds for issuing a shut-in order until an acceptable manner for disposing of said water is provided and approved by this office.

- Unless the plugging is to take place immediately upon receipt of oral approval, the Field Office Petroleum Engineers must be notified at least 24 hours in advance of the plugging of the well, in order that a representative may witness plugging operations. If a well is suspended or abandoned, all pits must be fenced immediately until they are backfilled. The "Subsequent Report of Abandonment" (Form BLM 3160-5) must be submitted within 30 days after the actual plugging of the well bore, showing location of plugs, amount of cement in each, and amount of casing left in hole, and the current status of the surface restoration.

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

FORM 9

CONFIDENTIAL

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: UTU-76261
2. NAME OF OPERATOR: Elk Resources, LLC		6. IF INDIAN, ALLOTTEE OR TRIBE NAME: NA
3. ADDRESS OF OPERATOR: 1401 17th St., Suite 700 CITY Denver STATE CO ZIP 80202		7. UNIT or CA AGREEMENT NAME: Ouray Valley Unit
PHONE NUMBER: (303) 296-4505		8. WELL NAME and NUMBER: Ouray Valley Federal 12-42
4. LOCATION OF WELL FOOTAGES AT SURFACE: 859' FSL, 1847' FWL		9. API NUMBER: 4304738931
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SESW 12 6S 19E S		10. FIELD AND POOL, OR WILDCAT: Undesignated
COUNTY: Uintah		STATE: UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: 6/1/2008	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion:	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: Extend APD
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Elk requests to extend APD expiration date for one year (expiring 12/18/2009). Elk currently anticipates that this location will be drilled in the first half of 2009. Please see the attached Request for Permit Extension Validation form.

Approved by the  
Utah Division of  
Oil, Gas and Mining

Date: 12-24-08  
By: [Signature]

NAME (PLEASE PRINT) Karin Kuhn TITLE Sr. Engineering Technician  
SIGNATURE [Signature] DATE 12/18/2008

(This space for State use only)

COPY SENT TO OPERATOR

(5/2000)

Date: 12-30-2008  
Initials: KS

(See Instructions on Reverse Side)

RECEIVED

DEC 22 2008

DIV. OF OIL, GAS & MINING



**Application for Permit to Drill  
Request for Permit Extension  
Validation**

(this form should accompany the Sundry Notice requesting permit extension)

**API:** 4304738931  
**Well Name:** Ouray Valley Federal 12-42  
**Location:** SESW Section 12-T6S-R19E  
**Company Permit Issued to:** Elk Resources, LLC  
**Date Original Permit Issued:** 12/18/2006

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.

If located on private land, has the ownership changed, if so, has the surface agreement been updated? Yes ☐ No ☒

Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? Yes ☐ No ☒

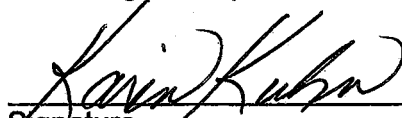
Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes ☐ No ☒

Have there been any changes to the access route including ownership, or right-of-way, which could affect the proposed location? Yes ☐ No ☒

Has the approved source of water for drilling changed? Yes ☒ No ☐

Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? Yes ☐ No ☒

Is bonding still in place, which covers this proposed well? Yes ☒ No ☐

  
\_\_\_\_\_  
Signature

12/18/2008  
\_\_\_\_\_  
Date

**Title:** Sr. Engineering Technician

**Representing:** Elk Resources, LLC

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DEC 22 2008

DIV. OF OIL, GAS & MINING

Division of Oil, Gas and Mining  
**OPERATOR CHANGE WORKSHEET**

**ROUTING**

1. DJJ  
 2. CDW

**X - Change of Operator (Well Sold)**

Operator Name Change/Merger

The operator of the well(s) listed below has changed, effective:

**8/1/2008**

**FROM: (Old Operator):**

N3480-Elk Resources, LLC  
 1401 17th St, Suite 7900  
 Denver, CO 80202

Phone: 1 (303) 296-4505

**TO: ( New Operator):**

N2695-Newfield Production Company  
 1001 17th St, Suite 2000  
 Denver, CO 80202

Phone: 1 (303) 893-0102

**CA No.**

**Unit:**

**OURAY VALLEY**

WELL NAME	SEC	TWN	RNG	API NO	ENTITY NO	LEASE TYPE	WELL TYPE	WELL STATUS	
OURAY VLY ST 36-32-5-19	36	050S	190E	4304739642		State	GW	APD	C
OURAY VLY FED 1-22-6-19	01	060S	190E	4304739643		Federal	GW	APD	C
OURAY VLY FED 1-42-6-19	01	060S	190E	4304739644		Federal	GW	APD	C
OURAY VLY FED 3-41	03	060S	190E	4304738932		Federal	GW	APD	C
OURAY VLY FED 12-42	12	060S	190E	4304738931		Federal	GW	APD	C

**OPERATOR CHANGES DOCUMENTATION**

Enter date after each listed item is completed

- (R649-8-10) Sundry or legal documentation was received from the **FORMER** operator on: 1/27/2009
- (R649-8-10) Sundry or legal documentation was received from the **NEW** operator on: 1/27/2009
- The new company was checked on the **Department of Commerce, Division of Corporations Database** on: 11/9/2007
- a. Is the new operator registered in the State of Utah: yes Business Number: 755627-0143
- b. If **NO**, the operator was contacted on: \_\_\_\_\_
- a. (R649-9-2) Waste Management Plan has been received on: IN PLACE
- b. Inspections of LA PA state/fee well sites complete on: n/a
- c. Reports current for Production/Disposition & Sundries on: ok
- Federal and Indian Lease Wells:** The BLM and or the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases on: BLM 11/27/2008 BIA n/a
- Federal and Indian Units:**  
The BLM or BIA has approved the successor of unit operator for wells listed on: 11/27/2008
- Federal and Indian Communization Agreements ("CA"):**  
The BLM or BIA has approved the operator for all wells listed within a CA on: n/a
- Underground Injection Control ("UIC")** The Division has approved UIC Form 5, **Transfer of Authority to Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: n/a

**DATA ENTRY:**

- Changes entered in the **Oil and Gas Database** on: 1/29/2009
- Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 1/29/2009
- Bond information entered in RBDMS on: 1/29/2009
- Fee/State wells attached to bond in RBDMS on: 1/29/2009
- Injection Projects to new operator in RBDMS on: n/a
- Receipt of Acceptance of Drilling Procedures for APD/New on: 1/29/2009

**BOND VERIFICATION:**

- Federal well(s) covered by Bond Number: UTB00192
- a. (R649-3-1) The **NEW** operator of any fee well(s) listed covered by Bond Number B001834
- b. The **FORMER** operator has requested a release of liability from their bond on: n/a  
The Division sent response by letter on: n/a

**LEASE INTEREST OWNER NOTIFICATION:**

- (R649-2-10) The **FORMER** operator of the fee wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on: n/a

**COMMENTS:**

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
OMB No. 1004-0137  
Expires: July 31, 2010

**SUNDRY NOTICES AND REPORTS ON WELLS**  
**Do not use this form for proposals to drill or to re-enter an  
abandoned well. Use Form 3160-3 (APD) for such proposals.**

5. Lease Serial No.  
UTU-76261

6. If Indian, Allottee or Tribe Name

NA

**SUBMIT IN TRIPLICATE – Other instructions on page 2.**

7. If Unit of CA/Agreement, Name and/or No.  
Ouray Valley Unit

8. Well Name and No.  
Ouray Valley Federal 12-42

9. API Well No.  
4304738931

10. Field and Pool or Exploratory Area  
Exploratory

11. Country or Parish, State  
Utah County, UT

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator  
Elk Resources, LLC

N 2480

3a. Address  
1401 17th Street, Suite 700  
Denver, CO 80202

3b. Phone No. (include area code)  
303-296-4505

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

859' FSL, 1847' FWL SESW Section 12-T6S-R19E, SLB&M

**12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Change of Operator</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

Effective August 1, 2008, Elk Resources, LLC designates Newfield Production Company as operator of the subject well.

Bond UTB 00192

Newfield Production Company  
1001 17th Street, Suite 2000  
Denver, CO 80202

N2695

Name Kelly L Donohoue

Title Landman

Signature Kelly L Donohoue

Date 1/22/09

14. I hereby certify that the foregoing is true and correct.

Name (Printed/Typed)

John W. Whisler

Title COO

Signature

John W. Whisler

Date 01/12/2009

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

APPROVED

1/29/09

Earlene Russell

Division of Oil, Gas and Mining DIV. OF OIL, GAS & MINING  
Earlene Russell, Engineering Technician

RECEIVED

JAN-27 2009

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

**Request to Transfer Application or Permit to Drill**

(This form should accompany a Sundry Notice, Form 9, requesting APD transfer)

<b>Well name:</b>	Ouray Valley Federal 12-42
<b>API number:</b>	4304738931
<b>Location:</b>	Qtr-Qtr: SESW    Section: 12    Township: 6S    Range: 19E
<b>Company that filed original application:</b>	Elk Resources, LLC
<b>Date original permit was issued:</b>	12/18/2006
<b>Company that permit was issued to:</b>	Elk Resources, LLC

Check one	Desired Action:
<input type="checkbox"/>	<b>Transfer pending (unapproved) Application for Permit to Drill to new operator</b>
<input type="checkbox"/>	The undersigned as owner with legal rights to drill on the property, hereby verifies that the information as submitted in the pending Application for Permit to Drill, remains valid and does not require revision. The new owner of the application accepts and agrees to the information and procedures as stated in the application.
<input checked="" type="checkbox"/>	<b>Transfer approved Application for Permit to Drill to new operator</b>
<input type="checkbox"/>	The undersigned as owner with legal rights to drill on the property as permitted, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.	Yes	No
If located on private land, has the ownership changed?		
<input type="checkbox"/> If so, has the surface agreement been updated?		
Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location?		<input checked="" type="checkbox"/>
Have there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well?	<input checked="" type="checkbox"/>	
Have there been any changes to the access route including ownership or right-of-way, which could affect the proposed location?		<input checked="" type="checkbox"/>
Has the approved source of water for drilling changed?		<input checked="" type="checkbox"/>
Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation?		<input checked="" type="checkbox"/>
Is bonding still in place, which covers this proposed well? Bond No. <u>B001834</u>	<input checked="" type="checkbox"/>	

Any desired or necessary changes to either a pending or approved Application for Permit to Drill that is being transferred, should be filed on a Sundry Notice, Form 9, or amended Application for Permit to Drill, Form 3, as appropriate, with necessary supporting information as required.

Name (please print) Kelly Donohue Title Landman  
Signature Kelly Donohue Date 1/28/09  
Representing (company name) Newfield Production Company

The person signing this form must have legal authority to represent the company or individual(s) to be listed as the new operator on the Application for Permit to Drill.

**RECEIVED**  
**JAN 27 2009**  
DIV. OF OIL, GAS & MINING



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Utah State Office  
P.O. Box 45155  
Salt Lake City, UT 84145-0155  
<http://www.blm.gov/ut/st/en.html>



11/24/08  
lw

IN REPLY REFER TO  
3180  
UT-922

November 24, 2008

Kelly Donohoue  
Newfield Production Company  
1401 17th Street, Suite 1000  
Denver, CO 80202

Re: Ouray Valley Unit  
Uintah County, Utah

Dear Ms. Donohoue:

On October 28, 2008, we received an indenture dated July 8, 2008, whereby Elk Resources, LLC resigned as Unit Operator and Newfield Production Company was designated as Successor Unit Operator for the Ouray Valley Unit, Uintah County, Utah. The indenture was executed by all required parties and the signatory parties have complied with Sections 5 and 6 of the Unit Agreement.

The instrument is hereby approved effective November 24, 2008. In approving this designation, the Authorized Officer neither warrants nor certifies that the designated party has obtained all required approval that would entitle it to conduct operations under the Ouray Valley Unit Agreement.

Your nationwide oil and gas bond No. WYB000493 will be used to cover all operations within the Ouray Valley Unit.

It is requested that you notify all interested parties of the change in unit operator. Copies of the approved instruments are being distributed to the appropriate federal offices, with one copy returned herewith.

Sincerely,

/s/ Becky J. Hammond

Becky J. Hammond  
Chief, Branch of Fluid Minerals

Enclosure

**RECEIVED**

**DEC 08 2008**

**DIV. OF OIL, GAS & MINING**

<b>STATE OF UTAH</b> DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL, GAS, AND MINING		<b>FORM 9</b>			
<b>SUNDRY NOTICES AND REPORTS ON WELLS</b>  Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.		<b>5. LEASE DESIGNATION AND SERIAL NUMBER:</b> UTU-76261			
<b>1. TYPE OF WELL</b> Gas Well		<b>6. IF INDIAN, ALLOTTEE OR TRIBE NAME:</b>			
<b>2. NAME OF OPERATOR:</b> NEWFIELD PRODUCTION COMPANY		<b>7. UNIT or CA AGREEMENT NAME:</b> OURAY VALLEY			
<b>3. ADDRESS OF OPERATOR:</b> Rt 3 Box 3630 , Myton, UT, 84052		<b>8. WELL NAME and NUMBER:</b> OURAY VLY FED 12-42			
<b>4. LOCATION OF WELL</b> <b>FOOTAGES AT SURFACE:</b> 0859 FSL 1847 FWL <b>QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN:</b> Qtr/Qtr: SESW Section: 12 Township: 06.0S Range: 19.0E Meridian: S		<b>9. API NUMBER:</b> 43047389310000			
<b>PHONE NUMBER:</b> 435 646-4825 Ext		<b>9. FIELD and POOL or WILDCAT:</b> UNDESIGNATED			
<b>COUNTY:</b> Uintah		<b>STATE:</b> UTAH			
<b>11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA</b>					
<b>TYPE OF SUBMISSION</b>	<b>TYPE OF ACTION</b>				
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<b>12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.</b> Newfield requests to extend the permit to drill this well for one more year.					
<b>Approved by the Utah Division of Oil, Gas and Mining</b>					
<b>Date:</b> <u>December 21, 2009</u>					
<b>By:</b>					
<b>NAME (PLEASE PRINT)</b> Mandie Crozier	<b>PHONE NUMBER</b> 435 646-4825	<b>TITLE</b> Regulatory Tech			
<b>SIGNATURE</b> N/A	<b>DATE</b> 12/17/2009				



## The Utah Division of Oil, Gas, and Mining

- State of Utah  
- Department of Natural Resources

Electronic Permitting System - Sundry Notices

### Request for Permit Extension Validation Well Number 43047389310000

**API:** 43047389310000

**Well Name:** OURAY VLY FED 12-42

**Location:** 0859 FSL 1847 FWL QTR SESW SEC 12 TWP 060S RNG 190E MER S

**Company Permit Issued to:** NEWFIELD PRODUCTION COMPANY

**Date Original Permit Issued:** 12/18/2006

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision. Following is a checklist of some items related to the application, which should be verified.

- If located on private land, has the ownership changed, if so, has the surface agreement been updated? ☐ Yes ☒ No
- Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? ☐ Yes ☒ No
- Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? ☐ Yes ☒ No
- Have there been any changes to the access route including ownership, or rightof- way, which could affect the proposed location? ☐ Yes ☒ No
- Has the approved source of water for drilling changed? ☐ Yes ☒ No
- Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? ☐ Yes ☒ No
- Is bonding still in place, which covers this proposed well? ☒ Yes ☐ No

**Approved by the  
Utah Division of  
Oil, Gas and Mining**

**Signature:** Mandie Crozier

**Date:** 12/17/2009

**Title:** Regulatory Tech **Representing:** NEWFIELD PRODUCTION COMPANY

**Date:** December 21, 2009

**By:** 

**RECEIVED** December 17, 2009

<b>STATE OF UTAH</b> DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL, GAS, AND MINING		<b>FORM 9</b>			
<b>SUNDRY NOTICES AND REPORTS ON WELLS</b>  Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.		<b>5. LEASE DESIGNATION AND SERIAL NUMBER:</b> UTU-76261			
<b>1. TYPE OF WELL</b> Gas Well		<b>6. IF INDIAN, ALLOTTEE OR TRIBE NAME:</b>			
<b>2. NAME OF OPERATOR:</b> NEWFIELD PRODUCTION COMPANY		<b>7. UNIT or CA AGREEMENT NAME:</b> OURAY VALLEY			
<b>3. ADDRESS OF OPERATOR:</b> Rt 3 Box 3630 , Myton, UT, 84052		<b>8. WELL NAME and NUMBER:</b> OURAY VLY FED 12-42			
<b>4. LOCATION OF WELL</b> <b>FOOTAGES AT SURFACE:</b> 0859 FSL 1847 FWL <b>QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN:</b> Qtr/Qtr: SESW Section: 12 Township: 06.0S Range: 19.0E Meridian: S		<b>9. API NUMBER:</b> 43047389310000			
<b>PHONE NUMBER:</b> 435 646-4825 Ext		<b>9. FIELD and POOL or WILDCAT:</b> UNDESIGNATED			
<b>COUNTY:</b> UINTAH		<b>STATE:</b> UTAH			
<b>11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA</b>					
<b>TYPE OF SUBMISSION</b>  <input checked="" type="checkbox"/> <b>NOTICE OF INTENT</b> Approximate date work will start: 12/18/2010  <input type="checkbox"/> <b>SUBSEQUENT REPORT</b> Date of Work Completion:  <input type="checkbox"/> <b>SPUD REPORT</b> Date of Spud:  <input type="checkbox"/> <b>DRILLING REPORT</b> Report Date:	<b>TYPE OF ACTION</b>  <table style="width: 100%; border: none;"> <tr> <td style="width: 33%; vertical-align: top;"> <input type="checkbox"/> ACIDIZE  <input type="checkbox"/> CHANGE TO PREVIOUS PLANS  <input type="checkbox"/> CHANGE WELL STATUS  <input type="checkbox"/> DEEPEN  <input type="checkbox"/> OPERATOR CHANGE  <input type="checkbox"/> PRODUCTION START OR RESUME  <input type="checkbox"/> REPERFORATE CURRENT FORMATION  <input type="checkbox"/> TUBING REPAIR  <input type="checkbox"/> WATER SHUTOFF  <input type="checkbox"/> WILDCAT WELL DETERMINATION         </td> <td style="width: 33%; vertical-align: top;"> <input type="checkbox"/> ALTER CASING  <input type="checkbox"/> CHANGE TUBING  <input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS  <input type="checkbox"/> FRACTURE TREAT  <input type="checkbox"/> PLUG AND ABANDON  <input type="checkbox"/> RECLAMATION OF WELL SITE  <input type="checkbox"/> SIDETRACK TO REPAIR WELL  <input type="checkbox"/> VENT OR FLARE  <input type="checkbox"/> SI TA STATUS EXTENSION  <input type="checkbox"/> OTHER         </td> <td style="width: 33%; vertical-align: top;"> <input type="checkbox"/> CASING REPAIR  <input type="checkbox"/> CHANGE WELL NAME  <input type="checkbox"/> CONVERT WELL TYPE  <input type="checkbox"/> NEW CONSTRUCTION  <input type="checkbox"/> PLUG BACK  <input type="checkbox"/> RECOMPLETE DIFFERENT FORMATION  <input type="checkbox"/> TEMPORARY ABANDON  <input type="checkbox"/> WATER DISPOSAL  <input checked="" type="checkbox"/> APD EXTENSION          OTHER: <span style="border: 1px solid black; display: inline-block; width: 100px; height: 15px; vertical-align: middle;"></span> </td> </tr> </table>		<input type="checkbox"/> ACIDIZE <input type="checkbox"/> CHANGE TO PREVIOUS PLANS <input type="checkbox"/> CHANGE WELL STATUS <input type="checkbox"/> DEEPEN <input type="checkbox"/> OPERATOR CHANGE <input type="checkbox"/> PRODUCTION START OR RESUME <input type="checkbox"/> REPERFORATE CURRENT FORMATION <input type="checkbox"/> TUBING REPAIR <input type="checkbox"/> WATER SHUTOFF <input type="checkbox"/> WILDCAT WELL DETERMINATION	<input type="checkbox"/> ALTER CASING <input type="checkbox"/> CHANGE TUBING <input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS <input type="checkbox"/> FRACTURE TREAT <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> RECLAMATION OF WELL SITE <input type="checkbox"/> SIDETRACK TO REPAIR WELL <input type="checkbox"/> VENT OR FLARE <input type="checkbox"/> SI TA STATUS EXTENSION <input type="checkbox"/> OTHER	<input type="checkbox"/> CASING REPAIR <input type="checkbox"/> CHANGE WELL NAME <input type="checkbox"/> CONVERT WELL TYPE <input type="checkbox"/> NEW CONSTRUCTION <input type="checkbox"/> PLUG BACK <input type="checkbox"/> RECOMPLETE DIFFERENT FORMATION <input type="checkbox"/> TEMPORARY ABANDON <input type="checkbox"/> WATER DISPOSAL <input checked="" type="checkbox"/> APD EXTENSION OTHER: <span style="border: 1px solid black; display: inline-block; width: 100px; height: 15px; vertical-align: middle;"></span>
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<b>Approved by the Utah Division of Oil, Gas and Mining</b>  <b>Date:</b> 12/13/2010 <b>By:</b>					
<b>NAME (PLEASE PRINT)</b> Mandie Crozier		<b>PHONE NUMBER</b> 435 646-4825			
<b>SIGNATURE</b> N/A		<b>TITLE</b> Regulatory Tech  <b>DATE</b> 12/13/2010			





## The Utah Division of Oil, Gas, and Mining

- State of Utah  
- Department of Natural Resources

Electronic Permitting System - Sundry Notices

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**Approved by the  
Utah Division of  
Oil, Gas and Mining**

**Signature:** Mandie Crozier

**Date:** 12/13/2010

**Title:** Regulatory Tech **Representing:** NEWFIELD PRODUCTION COMPANY

**Date:** 12/13/2010

**By:**

**RECEIVED** December 13, 2010



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Green River District-Vernal Field Office

170 South 500 East

Vernal, UT 84078

(435) 781-4400 Fax: (435) 781-4410

<http://www.blm.gov/ut/st/en/fo/vernal.html>



**OCT 12 2011**

IN REPLY REFER TO:  
3160 (UTG011)

Mandie Crozier  
Newfield Production Company  
Route 3, Box 3630  
Myton, UT 84052

43 DA7 38931

Re: Notice of Expiration  
Well No. Ouray Valley Federal 12-42  
Lot 9, Sec. 12, T6S, R19E  
Uintah County, Utah  
Lease No. UTU-76261  
Ouray Valley Unit

Dear Ms. Crozier:

The Application for Permit to Drill (APD) for the above-referenced well was approved on June 16, 2008. No extension of the original APD was requested. According to our records, no known activity has transpired at the approved location. In view of the foregoing, this office is notifying you that the approval of the referenced application has expired. If you intend to drill at this location in the future, a new Application for Permit to Drill must be submitted.

This office requires a letter confirming that no surface disturbance has been made for this drill site. Any surface disturbance associated with the approved location of this well is to be rehabilitated. A schedule for this rehabilitation must be submitted to this office. Your cooperation in this matter is appreciated.

If you have any questions regarding this matter, please contact Cindy Severson at (435) 781-4455.

Sincerely,

Jerry Kenczka  
Assistant Field Manager  
Lands & Mineral Resources

cc: UDOGM

**RECEIVED**

**OCT 17 2011**

**DIV. OF OIL, GAS & MINING**



GARY R. HERBERT  
Governor

GREG BELL  
Lieutenant Governor

# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
Executive Director

### Division of Oil, Gas and Mining

JOHN R. BAZA  
Division Director

January 26, 2012

Mandie Crozier  
Newfield Production Co  
Route 3 Box 3630  
Myton, UT 84052

Re: APD Rescinded – Ouray Valley Fed 12-42, Sec. 12, T.6S, R.19E  
Uintah County, Utah API No. 43-047-38931

Dear Ms. Crozier:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on December 18, 2006. On January 14, 2008, December 24, 2009 and December 13, 2010, the Division granted a one-year APD extension. On January 26, 2012, you requested that the division rescind the state approved APD. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective January 26, 2012.

A new APD must be filed with this office for approval prior to the commencement of any future work on the subject location.

If any previously unreported operations have been performed on this well location, it is imperative that you notify the Division immediately.

Sincerely,

Diana Mason  
Environmental Scientist

cc: Well File  
Bureau of Land Management, Vernal

